

The Development of Small and Medium Entrepreneurship in the Region as a Factor of Human Capital Growth (by the Example of the Kemerovo Region)

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Abstract— The article is devoted to the features of Small and Medium Entrepreneurship (SME) in the region as a factor of human capital growth. The purpose of the study is to show the direction of SME development in the Kemerovo region as a factor of human capital development. The article says that realization of human capital is most clearly manifested in the development of Small Medium-sized Enterprises (SMEs), which is confirmed by the results of the survey among students about their willingness to engage in entrepreneurial activities. The article presents the results of the study on the current level of SME development in the Kemerovo region, including the analysis of its structure by types of economic activity. The article advocates the necessity for diversifying regional economy. Through applying shift-share analysis to the Kemerovo region, the article confirms that the directions of SME development are attractive. The article makes conclusions about areas of SME development as a vector of the development for the Kemerovo region in the direction of diversifying its economy and a factor of human capital development.

Keywords— *regional economy, human capital, SME, entrepreneurial activity, foreign economic relations, economic diversification.*

1. INTRODUCTION

As any other capital human capital is a factor of economic development at both federal and regional levels. It is a more valuable resource than even renewed fixed capital. According to the World Bank estimates, in a modern economy physical capital generates 16% of the total wealth of every country, natural capital - 20%, and human capital - 64%. Nowadays the main source of Russia's economic growth is natural resources, and the role of human capital is underestimated (only 8%) [1]. Therefore, increase in quality of human capital and its growth are the most important priority of the strategic development of the Russian economy as well as a pressing issue for the economic development of the Kemerovo region.

Realization of human capital is most clearly manifested in the development of SMEs, which has received much attention in the Kemerovo region thanks to the implementation of the state target program "The Development of SMEs in the Kemerovo Region" since 2014, aimed at creating favorable

conditions in the region for SME development [2] and, ultimately, changing the structure of regional economy, and hence the economy of municipalities. This is especially important for 24 mono-cities of the Kemerovo region [3].

The urgency of the problem of the development of SMEs and human capital and its role in regional economic development has an increasing interest both from Russian and foreign researchers. Among leading representatives of the theory of regional economy who paid attention to the problems of human capital and SME development are Biyakov O., Vorotilov V., Granberg A., Minakir P., Nekrasov N., Pchelintsev O., Sigova I., Shatalin S., and others. Among scientists from the Kemerovo region who contributed to the study of the problems of regional economy in this context are Bereznev S., Kudryashova I., Mekush G., Mikhailov V., Starikova L., Surnin V. [1].

The SME sector has a significant impact on the socio-economic situation of a country and its regions [4]. Organizations established by entrepreneurs ensure employment of population, solve socially important tasks, design and implement innovations in all areas of activity through human capital development [5]. In addition, according to experts, these organizations create up to 20% of a country's GDP due to the results of their activities [6]. GDP, in turn, is the main source of fund formation of state financial resources [7].

2. RESULTS AND DISCUSSION

Nowadays, more than 45000 SMEs are operating in the Kemerovo region, and 99% them are enterprises with staff up to 100 people (small and micro- enterprises). The largest share in the structure of SME in the Kemerovo region: 40% of SMEs engage in wholesale and retail trade, repair of motor vehicles, household appliances and personal use items. No more than 10% of small enterprises and about 17% of medium-sized enterprises operate in production [8].

Real estate market is an attractive area for SMEs in the Kemerovo region. Around 26% of enterprises render renting and agency services. Construction companies account for 13%

of the total number of SMEs. Less than 1% of enterprises engages in the innovative sector of economy, including R&D (see Fig. 1).

The analysis of the dynamics of SME development in the region showed that the highest continuous growth rates were observed in 2005-2010 and accounted for 50-85%. However, the dynamics and dependence of populations under study give the ground not only for ascertaining the facts, but also for constructing an analysis of socio-economic processes, forecasting and the formation of appropriate methods for promoting SME development in the region.

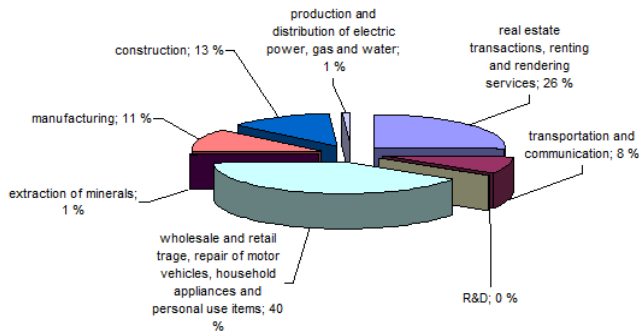


Fig. 1. Structure of SMEs in the Kemerovo region by types of economic activity, 2016 [9]

At the same time, it should be noted that in the structure of small business turnover, wholesale and retail trade account for the largest share (69.97%). The turnover in construction (7.99%), manufacturing (8.59%), real estate transactions (6.8%) is increasing, thus, development in services is faster [10].

SMEs don't engage in industrial production much: textile and clothing production, wood processing, electrical equipment production, vehicles, etc. are less than 0.5%. There is also an insufficient number of SMEs in the social sphere [11].

Shift-share analysis of the Kemerovo region confirms the attractiveness of activities associated with real estate transactions J, financial activities I, wholesale and retail trade, repair of motor vehicles, household appliances and personal use items F, hotel and restaurant business G, construction E.

The economy of the Kemerovo region faces a crisis in agriculture, hunting, forestry A and manufacturing C which have lower growth rates. This is due to low attractiveness of these activities [12]; necessity to have special knowledge, skills, and material resources; difficulties in entering markets, which is linked to the insufficient development of foreign economic relations [13] as an important factor of regional economic development and the development of SMEs in particular [14]. Extraction of minerals B, production and distribution of electric power, gas and water D and transportation and communication H are not innovative enough. To make them more innovative it is needed to

develop human capital in the region, i.e. to create an environment supporting the development of SMEs in these fields (see Fig. 2).

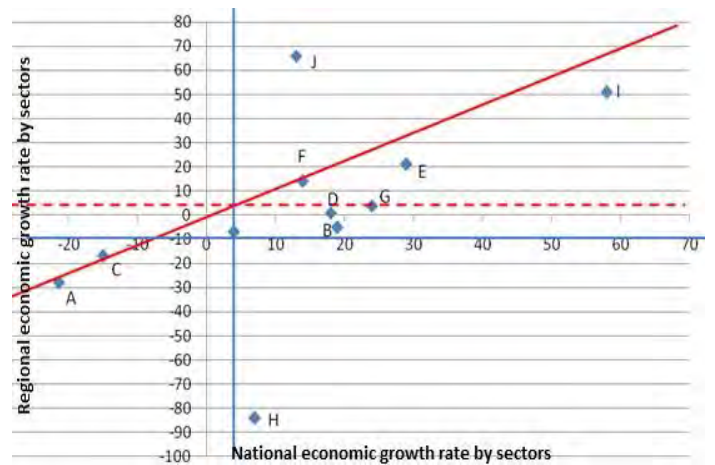


Fig. 2. Shift-share analysis of the Kemerovo region, 2004-2016

The survey conducted among third-year students at the Institute of Economics and Management of the Kemerovo State University showed that 43% of survey participants plan to pursue entrepreneurial activity after graduation. At the same time, 27% have their own idea, while only 2% have a ready business plan. However, more than 60% of respondents indicated a lack of knowledge to engage in entrepreneurial activities, and 50% indicated they need assistance to implement their business idea, particularly in such areas of expertise as property rights, information, investment, consulting.

Based on monitoring of SMEs the "Strategy for the Social and Economic Development of the Kemerovo Region" identified priority areas of business activity in the region that would be supported under the target state program [2]. These areas are science and innovation; production of consumer goods, building materials, components, machinery, and equipment; construction, transportation, and communications; agriculture and livestock processing, crop production; social sphere: education, health, public nutrition; domestic and inbound tourism; housing and communal services and consumer services for the population.

3. CONCLUSION

These areas of entrepreneurial activity, on the one hand, set a vector of development for the Kemerovo region in the direction of diversifying its economy, which is necessary as many economists advocate for more than two decades [15], and, on the other hand, gives impetus to human capital development [16]. It should be noted that such influence is mutual, and it faces a few problems and constraints, which may be solved by strengthening and developing interaction between government bodies, commercial sector and

educational structures [17], the introduction of more flexible loan conditions and project financing, raising the level of financial literacy [18], the awareness of entrepreneurs about opportunities for obtaining state support [19], expansion of markets for product promotion [20] in the conditions of the sanctions period for Russia.

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