

## TIES 2020

International conference «Trends and innovations in economic studies»

### FEATURES OF EFFECTIVE DEVELOPMENT AND SUPPORT OF SMALL BUSINESSES IN SINGLE-INDUSTRY TOWNS

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#### *Abstract*

This article identifies the main ways of state support of small business in single-industry towns. The methods of state support of small business in single-industry towns and their impact on the development of innovative entrepreneurship are considered. It is proved that the development of entrepreneurship requires comprehensive and systemic support at the federal, regional and municipal levels. The political role of small business should be noted. Small business has the greatest propensity for political stability, economic freedom and the principles of democracy in the presence of conditions of sustainable political and socio-economic development in society. The layer of small owners is desperately ready to protect their property in case of a threat, because for small entrepreneurs, unlike large and medium-sized entrepreneurs, their property is often an important way of expression and the only way to make money. State promotion of small business in the interests of the country and society has long been the norm in world practice and an integral part of state policy. At the same time, the task of the state is not only to transfer small, technical, financial and any other resources to small enterprises, but also to create economic, legal and social conditions for conducting efficient activities, survival and the ability to self-develop in the market.

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**Keywords:** Innovation, small business, innovation, innovative entrepreneurship.



## 1. Introduction

Currently, the Russian economy is aimed at solving a large number of problems, one of which is the stabilization of the situation in single-industry towns and identifying possible scenarios for their development. Today, single-industry cities are experiencing a large number of difficulties. Job creation is one of the biggest challenges in single-industry towns. To solve this problem, it is necessary to develop small business.

The role of small business is not only to perform economic functions, but small business also appears as a social phenomenon that implements entrepreneurial initiatives, provides not only employment but also self-employment, implements innovations, and also provides many other effects in society.

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Currently, the Russian economy is undergoing changes, namely, it is moving on to the path of sustainable development and innovation. In these conditions, the most important task is the development of small business, without which it becomes impossible to ensure the successful socio-economic development of Russia.

## 2. Problem Statement

Town-forming enterprises form the socio-economic environment of single-industry towns, the qualitative characteristics and level of development of which determine the living standards of the population of this town.

In turn, the investment attractiveness of this territory, the development of social, economic, engineering infrastructure, government policy and other conditions make up the external environment of the enterprise. Thus, the development strategy of single-industry towns depends on the activities of town-forming enterprises.

The main problem of the development of single-industry towns is the narrow specialization of the economies of such towns. Due to the high degree of mono-profile, the development of the municipality becomes dependent on environmental changes and unstable to negative external influences. Therefore, a decrease in demand and prices for products manufactured at town-forming enterprises and a change in the external environment are introducing the economy of the entire town into a long crisis.

The formations of a market economy, the formation of a new external environment and the change of ownership of most companies have made the company experiencing great difficulties, the corresponding

single-industry towns and their residents. It has become even more difficult with the onset of the global financial and economic crisis of recent years. This crisis has greatly changed the socio-economic situation of single-industry towns. The closure of investment programs, the fall in the value and demand for export products, technological backwardness and insufficient resources lead to a significant decrease in the profitability of production and the profit of town-forming enterprises.

In this regard, enterprises introduce anti-crisis measures: they reduce investment programs and staff costs, many enterprises completely stop their work. Because of this, social problems are exacerbated. Residents of many single-industry municipalities are on the verge of survival due to a strong reduction in wages and lack of work. The difficult situation is aggravated by the increase in tariffs for housing and communal services, the rapid growth of inflation, unpaid loans and an increase in prices for goods and services.

Monotowns are now in conditions of ever-increasing unemployment, declining incomes of the population, migration of able-bodied young people to other cities, the town budget is heavily dependent on taxes paid by the town-forming enterprise, insufficient job opportunities and low birth rates. All this suggests that single-industry towns are now at risk of transition to a group of depressed towns. Depressiveness can also be characterized by low investment, hidden unemployment and poor public health.

### **3. Research Questions**

Thus, the problem of the functioning and development of single-industry towns has become very acute and has acquired strategic importance not only for individual regions and municipalities, but also for the Russian economy as a whole (Kutergina & Lapin, 2015). One of the most important indicators that shows the condition of single-industry cities is the unemployment rate, because unemployment is one of the main problems in the development of single-industry towns.

In order to develop the economy of single-industry towns, the Government of the Russian Federation has developed a set of measures to support them using the selected single-industry development strategy. This set of measures gives particular importance to supporting small businesses as a factor in the possibility of diversifying the economy of single-industry municipalities (Davydova & Malyshkina, 2011). Small business primarily contributes to the formation of a competitive environment and provides residents of single-industry towns with goods and services. It also performs social functions at the level of single-industry towns, such as creating new jobs for the population of the municipality and ensuring the growth of tax revenues in town budgets (Antipina, 2019a).

### **4. Purpose of the Study**

This article aims to determine the ways of state support of small business in single-industry towns and their impact on the development of innovative entrepreneurship.

### **5. Research Methods**

This study uses an analysis of government support for small business development in single-industry towns

## **6. Findings**

The state solves the problem of unemployment by establishing policies to support and develop small businesses (Tkachuk, 2010).

Support occurs in the following areas:

1. financial support – the development of government programs on the basis of which the state provides subsidies, subventions, grants budget loans and credits, provides tax and depreciation benefits, as well as preferential bank loans;
2. informational support – informing entrepreneurs about small business support programs by posting this information in the media and on the official websites of state authorities, as well as posting the necessary information in the field of economics, taxation, production technologies, marketing, etc.;
3. property support – leasing to small enterprises of various municipal and state property, for example, equipment, inventory, machinery, buildings, land and constructions free of charge or on a preferential basis;
4. support for the training and professional development of staff – the creation by the government of special conditions for the quality training of specialists who are well aware of their responsibilities, as well as the provision of educational and methodological assistance to small business staff;
5. consulting support – free or preferential consultation for entrepreneurs on the establishment of an enterprise, taxation, organization of activities at the enterprise, legal consultations.

After analyzing a number of basic regulatory acts on the regulation of small business and various scientific literature on this topic, the following groups of mechanisms were identified from the total number of existing mechanisms of state support for small businesses:

### **1. Regulatory Mechanisms.**

The main regulatory act regulating the activities of small enterprises is Federal Law of July 24, 2007 No. 209 – “On the Development of Small and Medium-Sized Enterprises in the Russian Federation”. This law considers all aspects of support and development of small enterprises, but to a greater extent the law characterizes regional programs for the development of small and medium enterprises (Nechaev, Antipin, & Antipina, 2014, p.242).

Experts call this law a "framework law," because not all of its provisions are sufficiently developed and characterized, and the adoption of new regulations is required to eliminate this drawback. For example, the law considers such forms of state support for entrepreneurship as the use of special accounting methods, the introduction of special tax regimes, and these forms are specified by separate legal acts (Titov & Yashina, 2011. p.208).

### **2. Mechanisms for developing programs to support and develop small businesses.**

The state policy for the support and development of small business has a certain organizational basis, which are regional and federal programs. A program is a set of measures for the development of small business in certain territories and in certain industries, i.e. programs are targeted. These measures are set based on the needs of entrepreneurs, economic development priorities for a certain period of time and available resources. As a rule, programs are developed for a period of up to 5 years inclusively (Nechaev, Bovkun, & Zakharov, 2017).

Programs can have a variety of assistance to entrepreneurs. For example, there are simplified procedures for product certification, licensing and registration procedures, there are certain conditions for access to scientific and technical developments and budgetary resources, measures may be proposed to develop and maintain economic relations with foreign companies (Bovkun, Korodyuk, & Arkhipkin, 2018).

Local governments and state authorities of the constituent entities of the Russian Federation independently develop their own municipal and regional small business support programs that are not in conflict with federal support programs, and provide for the allocation of funds for these purposes from the budget. As a rule, the opinion of municipalities and small business support infrastructure entities is taken into account when developing regional programs (Manaeva, 2016).

On October 23, 2014, the Government of the Irkutsk Region approved the State Program “Economic Development and Innovation Economy” for 2015–2020 and its subprogram “Support and Development of Small and Medium-Sized Enterprises in the Irkutsk Region” for 2015–2018, the aim of which is “to promote investment development, competitiveness of small and medium-sized enterprises in the domestic, interregional and international markets” (Tkachuk, 2010, p. 38). This goal solves the following tasks:

- increasing the effectiveness of state support and promoting the strengthening of market positions of small and medium-sized enterprises of the region;
- creating favorable conditions for the development of small and medium-sized enterprises;
- assistance to the activities of organizations included in the infrastructure for supporting small and medium enterprises.

### 3. Financial support mechanisms.

Since 2005, the Ministry of Economic Development of Russia has been implementing a special program with the aim of providing state support to small and medium enterprises at the regional level. According to this program, the budgets of the constituent entities of the Russian Federation will receive subsidies from the federal budget (Baldanova, 2019).

Today, this program is implemented by Decree of the Government of the Russian Federation dated February 27, 2009 No. 178 “On the distribution and provision of subsidies from the federal budget to the budgets of the constituent entities of the Russian Federation for state support of small and medium enterprises, including peasant (farmer) enterprises”, and it is also being implemented in accordance with the orders of the Ministry of Economic Development of Russia (Maslova, 2011 p.20).

This program distributes funds between the regions of the country for the implementation of activities that are prescribed in regional programs for the development of small business. The distribution is determined by competition and the condition that the region will also finance these activities from its budget together with the state (Antipina, 2019b).

So, for example, on March 26, 2015, the Government of the Russian Federation approved a decree prepared by the Ministry of Economic Development of the Russian Federation as part of the state program “Economic Development and Innovative Economics”, on the distribution in 2015 of subsidies in the amount of more than 16.9 billion rubles to regions for state support of entities small and medium enterprises (Novikova, 2018). In this document, a subsidy of 281.9 million rubles was allocated for the region. For comparison, the subsidies for the Irkutsk region in 2012 and 2013 amounted to 353 million rubles and 310.9 million rubles. The total amount of subsidies for the subjects of the Russian Federation in the same years

amounted to 20.8 billion rubles and 19.8 billion rubles (Ryakhovskaya, Kovan, Kryukova, & Arsenova, 2013). Thus, there is a tendency to reduce government subsidies to support small business.

In addition, financial support of the state of small business can be carried out not only in the form of subsidies allocated to the regions of the country, but also money can be allocated to support a specific direction of small business (Popovicheva & Polyinin, 2015).

For example, on April 1, 2015, the Government of the Russian Federation approved an order to provide a subsidy to the Fund for the Promotion of the Development of Small Forms of Enterprises in the Scientific and Technical Sphere in the amount of 5 billion rubles to support small innovative enterprises. In particular, 3 billion rubles were allocated to increase the implementation of support programs for small enterprises engaged in innovative activities, and 2 billion rubles were allocated to finance innovative projects that have a great future by providing various grants to small innovative enterprises (Vilensky, 2014, p.101).

#### 4. Property Support Mechanisms.

The state provides property support to small enterprises in the form of transfer of various municipal or state property. The transfer may be free of charge, at the market price or on preferential terms (for example, at prices lower than market prices). Buildings, land, buildings and equipment may be transferred for use or possession (Skorobogatova & Shagunov, 2018).

#### 5. Mechanisms for the provision of infrastructure services.

The legislation of the Russian Federation in the infrastructure for supporting small business identifies two types of organizations:

1. the first type includes non-profit and commercial organizations that are engaged in the placement of state orders for the performance of work or the supply of goods in order to implement regional and federal programs to support and develop small businesses. These organizations may be executors or suppliers, and may also carry out their activities;

2. the second type includes a lot of types of organizations, so just list them. These are municipal and state funds to support entrepreneurship, agencies and centers for the development of small businesses, training, business and marketing centers, closed-end investment funds and joint-stock investment funds, innovation and technology centers, technology parks, business incubators, science parks, guarantee funds, consulting centers, agencies supporting the export of goods, leasing companies and other organizations (Zakharov, 2014).

The small business support infrastructure is constantly being transformed and improved. New entities are created to support small business (Bovkun & Troshina, 2017). This confirms the decision adopted on February 19, 2015 by the Ministry of Economic Development of the Russian Federation to introduce a new program for supporting small business. This is the National guarantee system for supporting small and medium enterprises based on the activities of such a support infrastructure entity as the Credit Guarantee Agency.

The National Guarantee System (NGS) is a system of effective interaction between organizations that provide significant guarantee support to small businesses. The main goal of the National Guarantee System is to increase the volume of guarantees and bank guarantees for obtaining loans by small enterprises, to improve lending conditions for small businesses and, in general, to increase the availability of bank

financing for small businesses. According to the NGS development strategy, it is expected that by 2020 the volume of guarantees will reach 899 billion rubles, and about 146 thousand small enterprises will be able to receive guarantee support (Davydova & Malyskhina, 2011).

## 7. Conclusion

The state system of support and development of small business as a whole is very well developed. It includes such support mechanisms as regulatory legal acts, the development of various government programs for the development of small business, financial and property assistance, and a developed support infrastructure that provides various services to small businesses (Golikov, 2019). Using these mechanisms, the state provides subsidies to small businesses for its development, improves the system for protecting the rights of small businesses, promotes the formation of a preferential tax regime for small businesses, and develops innovative activities in entrepreneurial structures (Beregova & Klipin, 2016).

However, entrepreneurs negatively assess state support and the dissemination of information about it, despite the scale of all measures for the development of small business and the amount of subsidies. This is confirmed by many surveys and social studies. This is confirmed by data obtained in a survey conducted by the National Agency for Financial Research. The survey results showed that 27 % of small business owners do not know about government support programs at all and 41 % of respondents say they do not need state support (Glebova & Sadyrtidinov, 2008). It follows that the state should improve the awareness and interest of entrepreneurs in state support so that all activities and support programs are not wasted (Skorobogatova, 2018).

Thus, increasing the efficiency of small enterprises, expanding their activities, increasing their contribution to the economy and to forming, maintaining social stability in society requires the state to provide comprehensive and systematic support for the development of small business at the federal, regional and municipal levels. Social stability and the role of small enterprises are especially important for single-industry towns of the Russian Federation. Most of them are currently in a critical socio-economic situation.

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