

Evaluation of the effectiveness of regional support for small business and its role in the development of the region

Svetlana Vladimirovna Frolova
Department of engineering business and management
 Moscow Polytechnic University
 Ryazan, Russia
 svfrolova@yandex.ru

Natalia Sergeevna Bryazgunova
Department of engineering business and management
 Moscow Polytechnic University
 Ryazan, Russia
 natasha_81_m@mail.ru

Irina Valentinovna Litvinova
Department of engineering business and management
 Moscow Polytechnic University
 Ryazan, Russia

Natalia Michaylovna Morozova
Department of engineering business and management
 Moscow Polytechnic University
 Ryazan, Russia

Abstract—The article is devoted to improving the methodology for assessing the effectiveness of regional support for small business. The article uses an indicator that takes into account discounted cash flows resulting from the activities of small enterprises, as well as tax and non-tax revenues to the regional budget, the wage fund of employees of small enterprises, the value of real options received by regional governments from participating in managing small businesses, the costs of the regional budget for the financial support of small business. The indicator is calculated on the example of the Ryazan and Pskov regions.

Keywords—regional economy, small entrepreneurs, small business, regional support for small business, evaluation of the effectiveness of regional support for small business.

I. INTRODUCTION

Small business is an integral element of the economy of any country. It is no secret that the close interaction of small business with large enterprises ensures a high socio-economic efficiency of the development of the regions and the economy as a whole. According to academician L.I. Abalkin small business development refers to the crucial issues of development of our country, on which the course, the results of economic reforms and social stability depend [1].

The problems of small business development are currently receiving considerable attention from various scholars, politicians, managers [3, 4, 11, 12, 14, 15, and 16]. Despite this, the level of small business development in Russia is significantly lower than in developed countries. Small enterprises in our country create jobs for 10.9 million citizens, which is 15% of all employed in Russia [2, 10, and 13]. However, in the USA, Western Europe, China, two-thirds of new jobs are created by small enterprises. Small and medium enterprises provide up to 70% of jobs and more than 50% of GDP [5, 6, and 18]. In our country, this share is 5-6 times lower. Insufficient development of small entrepreneurship hinders the development of the economy of Russia and its regions.

II. THEORY

In Russia, as in many other countries, small entrepreneurs have a distinct regional character. The interests of the regions in the development of small enterprises are in the growth of the regional budget revenues (tax and non-tax payments), in increasing employment and incomes of the population of the region, in social stability, in accelerating the pace of regional development due to the innovative potential of small enterprises systems of the region as a whole (Fig. 1).

Regional authorities interested in the integrated development of the regional economic system should support small business. Modern regional support programs contain a significant list of measures for system-wide support for small businesses. However, as a rule, they do not include selection criteria (priorities) of small enterprises (or investment projects) based on target functions for their selective support. Thus, the possibility of active influence on growth points is lost and the effectiveness of small business support programs decreases [9].

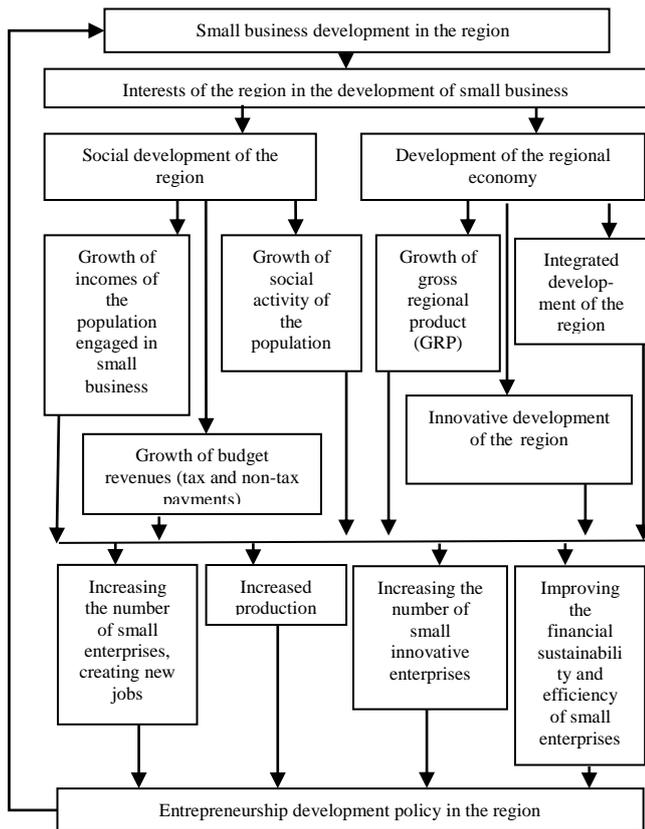


Fig. 1. Interests of the region in the development of small business

We propose to base the concept of support and strategic management of small business in the region on the following principles:

- modification of the VBM (Value Based Management), integrating the principles of the Balanced Scorecards (BSC) [7, 8];
- adaptation of the methodology for developing BSC for a small enterprise;
- the possibility of a quantitative assessment of the interests of the region and the entrepreneur in business development;
- regulation of small business development in the region by a small business support program based on consideration of the region's strategic interests;
- inclusion of a set of system-wide and selective support measures in the regional small business support program.

III. THE CRITERION FOR THE EFFECTIVENESS OF SMALL BUSINESS SUPPORT

The system of state regulation of small business should have a system of criteria and indicators reflecting the interests and goals of a particular region. It is impossible to effectively manage without an adequate system for evaluating results.

To assess the effectiveness of a regional small business management system, we suggest using an indicator that will reflect the current value of real and imputed cash flows from a small business in the region. The regional budget receives tax and non-tax payments from small businesses. Social performance of a small business should also be reflected in the assessment of the effectiveness of small business support. They are expressed by such economic characteristics as the growth of employment and incomes of the population. In accordance with this, we propose to use a tax-efficient (CFtax) and non-tax (non-taxCF) revenue from small business in the regional budget, a wage fund for small business employees, reflecting the social effect of small business development as a criterion for evaluating the effectiveness of small business support (Pfund), the value of real options received by regional authorities from participation in small business management (the possibility of the management body of certain actions to revitalize investment activities or abandon them) (ΣRO), the costs of the regional budget for the financial support to small business (FS), the discount rate revenue in the region corresponding to the level of risk of investing in a small business (W). Then, for the period t, the indicator for evaluating the effectiveness of small business support in the region will be determined by the formula 1 [17, 19].

$$K_t = (CF_{tax} + non-taxCF + Pfund + \Sigma RO_t - FS_t) * W_t \quad (1)$$

The resulting effect can be divided into spontaneous (for regional governments, these are results obtained by entrepreneurs without the participation of government bodies) and initiated by government bodies. The increase in results, initiated by the activities of regional management bodies, is the socio-economic effect of management, and the ratio of this indicator to business development resources allocated from the budget is the effectiveness of small business management.

IV. RESULTS

The calculation of the criterion of small business regional efficiency in 2017 was made for the Pskov and Ryazan regions (Table 1) [10, 13]. Due to the lack of the full amount of information, calculations use aggregate indicators and certain assumptions.

TABLE I. CALCULATION OF REGIONAL EFFECTIVENESS OF SMALL BUSINESS SUPPORT IN 2017

Indicators	Russian Federation	Ryazan region	Pskov region
1. The number of small businesses, pcs, thousand	2754.6	18.8	9.9
2. Volume of products (services), bln. Rub.	48459	266	142
3. Tax transfers to the budget mln. Rub.	574 717	3 458	1 882

4. The average number of employees in a small business, thousand, people in total	1085	80	52
5. Average monthly nominal wage of an employee of the organization, Rub.	39167	28819	23659
6. Annual payroll, mln. Rub.	425146	2294	1235
7. Cost of newly created jobs, mln. Rub.	3721	97	23
8. Regional effect (K), mln. Rub.	1 003 584	5 849	3 140
9. Effect on one employed in small business, total, th. rubles/ person	92456	73482	60151

The results of calculations allow us to estimate the level of efficiency of small business support by its influence on the cash flows that determine the socio-economic situation of the region. The socio-economic efficiency of small business in the Ryazan region is higher than in the Pskov region, but lower than in Russia as a whole. Therefore, regional authorities of the Ryazan and Pskov region should be given priority attention to the problems of developing and supporting small business.

V. CONCLUSION

The proposed criterion for evaluating the effectiveness of regional support for small businesses is the market value of small businesses for the region. This criterion allows you to take into account the strategic results of small business development, in contrast to other indicators, which are guided by taking into account already, achieved or expected results. The value expression of the results allows obtaining a single criterion that allows you to make the management process more focused on a specific goal. The criterion takes into account both the economic results (the inflow of regional budget revenues) and the social (increase in the wage fund of employees of small enterprises, the creation of new jobs). It also takes into account the risk of various activities for managing small businesses, which is reflected in the discount rate of cash flows initiated by regional support for small businesses. The indicator is based on a unified methodological approach to the calculation of regional and corporate effects (cash flow discounting), which allows quantitative assessment and coordination of regional interests and interests of a particular entrepreneur in the process of developing a small business support program and determining priority directions for its development. In addition, the criterion can be used for inter-regional comparisons and analysis. However, it is recommended to use the specific (per capita, per person employed in small business) indicators of the regional effectiveness of small business.

REFERENCES

- [1] L.I. Abalkin Proceedings of the scientific conference "Regional features of small business development in Russia." May 2002. Tambov.
- [2] E.V. Andrianova, L.V. Konovalova Assessment of the potential of the region as the basis for the formation of programs of socio-economic development in the context of globalization. On the example of the Arkhangelsk region // Russian Entrepreneurship. - 2015. - №3 (273).
- [3] A.V. Vilensky, O.V. Lylova, A.B. Mozhaev Optimization of financial support for small and medium-sized businesses in the spatial economy of Japan // Economic Journal. - 2015. - № 3 (39).
- [4] A.V. Vilensky Features of Russian small business // Economic Journal of HSE. - 2004. - Vol. 8. No. 2.

- [5] V.K. Gorbunov, A.G. Lvov Effective production assets and production functions of small business in the regions // Economy of the region. - 2018. - V. 14, No. 2
- [6] V.K. Gorbunov, V.G. Derevensky Production functions of small business in the regions of Russia. On the method of "spatial regression" // Bulletin of Moscow University. - 2015. - №1.
- [7] R. S. Kaplan, D. P. Norton Kaplan, Norton: Strategic maps. Transformation of intangible assets into tangible results / Trans. from English –M.: Olympus Business, 2013.
- [8] R. S. Kapla., D. P. Norton Balanced Scorecard. From strategy to action / Trans. from English –M.: Olympus Business, 2017.
- [9] A. A. Kuklin, K.S. Naslunga Methodical features of the assessment of the state of regional budgets // Economy of the region. - 2018. - V. 14, No. 2
- [10] Small and medium business in Russia. 2017: Art. comp./ Rosstat. - M., 2017.
- [11] Small business in Russia: past, present, future / Ed. B.G. Yasin, A.Yu. Chepureno, V.V. Buev. - Moscow: Liberal Mission Foundation, 2003.
- [12] V.D. Mamontov Small business in the transitory economy of Russia: Monograph / Samara: Economic Sciences; Tambov: TSU named after G.R. Derzhavin, 2004. - 365 p.
- [13] Regions of Russia. Socio-economic indicators. 2018: Article / Rosstat. - M., 2018.
- [14] T.M. Rogova, M.G. Sandrosyan, Analysis of the effectiveness of existing mechanisms of state support for small business in Russia. // Journal "U". Economy. Control. Finance.- 2018. - № 2
- [15] Y. Syuan. Factors and strategies for the development of small industrial business. On the example of Russia and China: Abstract. diss. ... Cand. econ sciences. - M.: CEMIRAS. 2007
- [16] S.V. Frolova Development of a system of strategic goals for the development of small industrial enterprises // Actual economic and socio-humanitarian problems of our time. Collection of reports of the International Scientific and Practical Conference. Ed. S.V. Frolova, L.A. Vilikotskaya 2018.
- [17] A. Yu. Chepureno What is entrepreneurship and what kind of business policy does Russia need? (Notes on the fields of works of modern foreign classics) // Journal of the New Economic Association - 2012 - № 2 (14).
- [18] A. D. Chigrin Small business and competitiveness of Russia - an unconventional interpretation // Journal of the New Economic Association. - 2018. - №3 (39).
- S.V. Frolova, O. E. Bulekov Development of a system of financial selection criteria for selective support of small enterprises in the region // New technologies in the educational process and production. Proceedings of the XIV Interuniversity Scientific and Technical Conference dedicated to the 60th anniversary of the institute. Edited by Platonov A.A., Bakulina A.A. 2016.