

STATE CONTROL OVER SMALL BUSINESS DEVELOPMENT: APPROACHES TO THE ORGANIZATION AND PROBLEMS (EXPERIENCE OF THE REPUBLIC OF TATARSTAN, THE RUSSIAN FEDERATION)

Ekaterina Vladislavovna Krotkova, Kazan Federal University
Khanif Sharifzyanovich Mullakhmetov, Kazan Federal University
Elvir Munirovich Akhmetshin, Kazan Federal University

ABSTRACT

The paper presents some of the approaches to the organization of state control over mechanisms of implementation of programs to support small business in the Republic of Tatarstan (RT) of the Russian Federation (RF) and highlights the main problems arisen thereat. It is emphasized that the implementation of state programs to support small and medium enterprises is a strategic factor of sustainable innovation development of economy of the region. A prerequisite for success is an effective control system of the main processes of the state programs that allows adequately assessing their progress.

The carried out comparative analysis of the enterprises – residents and non-residents of the business incubator in the city of Naberezhnye Chelny, RT, through the issue of asymmetry of their performance indicators has allowed revealing the main shortcomings of mechanisms for the implementation of government programs to support small businesses, quality control instruments for implementing the program activities and the efficiency of use of budgetary funds, and offer reasonable proposals to improve the system of state control in this area.

The paper represents not only the shortcomings of the state control over the implementation of programs to support small and medium-sized businesses, but specific measures based on the results of the study has also proposed that can be considered as the first step in creating an effective system of control.

The authors believe that the implementation of programs to support small and medium enterprises have substantial reserves to increase its efficiency. A control system which meets the requirements of good practice to the effectiveness of control, covers all main processes of support programs, is a prerequisite for their successful implementation. In the Republic of Tatarstan the priorities of socio-economic development of the region and mechanisms for support of small and medium-sized enterprises are not consistent. Existing monitoring tools do not provide achievement of objectives of government support programs. The authors consider it necessary to develop a methodology for evaluating the operating efficiency of small and medium-sized enterprises on the basis of proposed by them asymmetry factors for the various groups.

Key Words: *State Control, Small Business, Government Support, Monitoring Efficiency, Performance Evaluation Method, The Asymmetry of Development of Small Business, Business Incubator*

INTRODUCTION

Development of small and medium-sized businesses in the region is a strategic determinant of sustainable economic development. Currently the Republic of Tatarstan accounts for 142,780 economically active small and medium-sized enterprises. The share of small and medium-sized businesses in the gross regional product (GRP) of the Republic of Tatarstan is about 25%.

One of directions of regional policy in the Republic of Tatarstan is to support small and medium-sized businesses. In countries leading in terms of innovation, small businesses supplying the market more than half of all new ideas. In economically developed countries, the rate of implementation of innovations in small businesses on average is one-third higher than in large ones (Duplenko, N. G., 2014, p.97). Therefore, at the present stage, an important task is to create prerequisites for the development of small innovative business.

However, it is necessary to take into account the asymmetry of regional small business, i.e. territorial disproportion in the number and activity of small innovative enterprises. The practical significance of the diagnosis of the regional asymmetry in innovative development of small business is related to the fact that it can be used to improve the efficiency of incentive programs to support small (innovative) entrepreneurship.

The problem of objective evaluation of the asymmetry in regional development was discussed in the works of C. Economidou and C. Kool who studied the asymmetry of economic development in the EU (Economidou and Kool, 2009, p.778), K. Behrens who studied the effect of the inter-regional markets on the asymmetry in economic development of the regions (Behrens, 2005, p.471), Y. Kim who has made a contribution to the study of asymmetric regional development in the North-East Asia (Kim, 2005, p.673). However, none of the researchers have consider asymmetry in development of small business, its relations with individual economic entities and sectors of their functioning on the sub-regional level.

Among domestic researchers, we may note, for example, M. Y. Belikov, M. V. Boyko, and S. S. Zheleznyakov who have studied issues of regional asymmetry regulation; D. N. Vorobiev who has studied the question of smoothing asymmetry at the subregional level; and M. V. Galdin who has developed the methodology for the evaluation of regional asymmetry.

To date, in the Republic of Tatarstan there have been created practically all types of infrastructure and economic and scientific activity: the special economic zone, the technopolis, industrial parks, technology parks, and business incubators. Residents of these innovation infrastructure subjects are predominantly small and medium-sized enterprises (Krotkova, 2014, p.79).

METHODS

A system of measures on state support of small business is actively formed in the Republic of Tatarstan at the expense of the republican and federal budgets, and extra-budgetary resources. The interest of the state in business activities is implemented through the tax, budgetary, and other kinds of the state policy (Mullakhmetov, 2009, p.31). Tools of federal and regional government control are used to assess the implementation of small business support measures.

Diagnosis of asymmetry indicator of small business development was carried out in five stages.

The first step is to collect the information needed for the study. (Statistical monitoring data)

During the second stage asymmetry of small business development was evaluated. Under asymmetry we understood the uneven development of the enterprises within the same municipal formation.

We have used such an indicator as labour productivity to evaluate the asymmetry.

Then two indicators of asymmetry have been calculated:

– Range of variability which shows the limits within which the indicator varies (defined as the difference between the highest and lowest values of the characteristic):

$$R = X_{\max} - X_{\min} \quad (1.1.)$$

– The asymmetry factor which allows determining of the asymmetry value, as well as answering the question about the presence or absence of asymmetry in the distribution of the characteristic in the general population:

$$As = \frac{\mu_3}{\sigma^3}, \quad (1.2.)$$

where μ_3 – is the moment about mean of the third order:

$$\mu_3 = \frac{\sum (x_i - \bar{x})^3}{n} \quad (1.3.)$$

σ – is a standard deviation.

At the third stage, a comparison of asymmetry factors was carried out: firstly, using the values of the respective companies (residents and non-residents of the business incubator in each branch). The results of the comparison made it possible to give a relative estimate of the level of asymmetry. Secondly, the factor of asymmetry was compared with its value in the previous period in order to analyze the dynamics of asymmetry. Forecast of development of the situation in each branch under consideration has made it possible to construct a range of factor values for several years.

In the fourth stage, signs of excessive asymmetry, as well as the deterioration of the situation were revealed based on the comparison conducted.

The aim of the fifth stage was a recognition and identification of problems which magnify the asymmetry of development of small business in the city.

To determine the operational effect of small businesses entities, let's consider the problem of asymmetry in the results of their activities through a comparative analysis of companies which are residents of the business incubator in the city of Naberezhnye Chelny and companies operating in similar sectors of the regional economy without the support of business incubators; let's consider the impact on operating efficiency of companies from the government support programs as well as the quality of the organization of monitoring the state support measures.

RESULTS

The considered method of small business development asymmetry assessment has been approved by the example of a business incubator in the city of Naberezhnye Chelny for the years 2010-2013. It was found that not only the average productivity of labor in general for each

industry varies, but its individual value for each company included in the set considered varies, too (Table 1).

Table 1
THE RANGE OF VARIABILITY FOR CHANGES IN LABOR PRODUCTIVITY OF RESIDENTS AND NON-RESIDENTS OF THE BUSINESS INCUBATOR IN THE CITY OF NABEREZHNYE CHELNY, THS. RUBLES

Sector of Economy	2010	2011	2012	2013
Manufacture of transport facilities and equipment				
Residents	1296,75	1390,25	634,01	447,04
Non-residents	120,10	515,40	244,30	169,40
Metallurgical production and production of fabricated metal products				
Residents	424,71	160,00	973,89	677,03
Non-residents	308,85	756,63	932,35	676,89

The calculations conducted show that the range of variability of labour productivity for residents of the business incubator in the sector of economy "Metallurgical production and production of fabricated metal products" is more stable, but non-residents have a larger reserve of labor productivity growth, as in the event if all non-residents of the business incubator will achieve maximum labour productivity, the average value of the output will be significantly higher than that of residents.

A similar situation is also observed for the enterprises operating in the sector "Manufacture of transport facilities and equipment". Non-residents, in turn, have a small range of variability; hence their rate of labour productivity growth has slowed.

However, the range of variability does not consider variation of options within the studied population. The calculation of the asymmetry factor (Table 2).

Table 2
ASYMMETRY OF LABOUR PRODUCTIVITY OF RESIDENTS AND NON-RESIDENTS FROM THE BUSINESS INCUBATOR IN THE CITY OF NABEREZHNYE CHELNY

	Manufacture of transport facilities and equipment				Metallurgical production and production of fabricated metal products			
Asymmetry factor	2013	2012	2011	2010	2013	2012	2011	2010
Residents	-0,129	0,323	0,006	0,272	0,286	0,388	-0,063	-0,707
Non-residents	0,462	0,377	-0,445	-0,492	-0,17	0,15	0,83	0,37

As can be seen, the factors of asymmetry are mostly positive, consequently, the enterprises have the predominant values of labor productivity that are higher than the average. At the same time, one can observe a tendency this figure increases for non-residents of the business incubator that operate in the industry "Manufacture of transport facilities and equipment". If the figure for these companies was negative until 2011, i.e., had a left-handed (negative) asymmetry, then in 2011 it has grown considerably, therefore, the companies are interested in increasing the productivity of its staff in comparison with residents.

Regarding the residents of the business incubator working in both sectors, the indicators of asymmetry are reduced every year. The asymmetry factor for non-resident enterprises in the sector "Metallurgical production and production of fabricated metal products" in 2013 was

negative indicating a decrease in productivity and the prevalence of values which are below the average. However, it should be noted that residents receive certain preferences, and at the expiration of the three year period staying in business incubator they start to work on their own and to carry out their activities without support. According to statistics, more than 50% of enterprises do not cope with the competition in their sector and are forced to close down.

State support of entrepreneurship (in 2014 funding for the business incubator in the city of Naberezhnye Chelny was 4.13 million rubles, in 2015 – 4.27 million rubles) does not guarantee the realization of the tasks in view:

1. An increase in the number of jobs;
2. A certain level of tax revenues;
3. Increasing the innovative activity of the enterprises and, accordingly, growing the share of innovative enterprises;
4. Increase the share of product innovation;
5. Improving the competitiveness of the economy of the city and the region.

CONCLUSIONS

Let's note, that in the legal documents issued by the Government of the Republic of Tatarstan, regarding business development, there were defined indicators (for example, "the number of small businesses per 10 thousand persons of the population", "percentage from the average number of workers of small enterprises in the average number of employees of enterprises and organizations", etc.) which characterize only the quantitative side of the question, but do not reflect the results of operations of small businesses. Thus, the established figures do not reflect the essence of the monitored process, and cannot ensure the effective achievement of the goals (Mullakhmetov, 2013). The lack of a structured and properly formalized "desired state" of the control object through a system of indicators makes it impossible to implement the main procedure and, correspondingly, monitoring of the object (Mullakhmetov, 2015, p. 128), (Mullakhmetov, 2005, p.3). It necessary to finalize the methodology for assessing and analyzing the effectiveness of small businesses for the purpose of effective management of the process.

In addition, accounting of the actual data on the number of newly created jobs, additional tax revenues to budgets of all levels as a result of state support measures is not carried out, so that it is impossible to determine the effectiveness of the use of budget funds.

As can be seen from this study, the implementation of programs to support small and medium-sized businesses has significant reserves of increase of its efficiency. System monitoring of all main processes of the programs adopted in this area, is a prerequisite for their successful implementation (Mullakhmetov et. al., 2014, p.237).

We believe that the state and municipal authorities should follow up the actually functioning enterprises also after their leaving the incubation period and determine the effectiveness of their activities and evaluate the impact of government support. In our opinion this is the main drawback of the mechanism of state control over the activity of business incubators. To eliminate it, the asymmetry factor calculation method can be applied allowing determination of the efficiency of enterprises and ensuring effective investment of budgetary funds.

Based on this study we can propose the following priority actions for the creation of effective system for control over implementation of programs to support small and medium-sized businesses:

1. Include in the systems for performance evaluation and promotion of activities of local government the performance indicators on small business development (job creation by small businesses, the turnover of small enterprises);
2. Define a clear procedure for monitoring the efficiency of the business support infrastructure; develop and bring to the innovation infrastructure subjects the methodology for calculating the performance indicators of their activities;
3. Tighten control over the use of budgetary funds provided to small businesses in the form of grants, over timeliness of reporting; to develop a clear procedure for monitoring the implementation of business projects.
4. Carry out evaluation of the economic efficiency of business projects which pretend to state support, on the basis of the developed procedure.

Small business support programs in the Republic of Tatarstan need a transparent structured control system adopted conceptually both by government agencies and by business entities. The control mechanisms and methods in use today do not provide solving of the basic problem: the effective use of budgetary funds allocated for the development of small enterprises.

The way out of the situation would be scientifically grounded, holistic methodology for evaluating the performance of small and medium enterprises on the basis of calculations of the asymmetry factors for the various groups that is proposed by the authors.

The authors believe that in current regulations of the Republic of Tatarstan there is stated a system for an innovative economic management through the mechanisms and tools of business incubators, technology parks, government support programs, the amount and structure of which at this stage are sufficient, but there is an urgent need of improving the quality of their implementation and application of technology.

Analysis of the monitoring state for implementation in of programs aimed to support, promote and develop small and medium-sized businesses has shown a number of deficiencies that have been reflected in our previous studies (Mullakhmetov et. al., 2015, p.1732) including that a control system is inadequate to management system, and as a result, that the socio-economic development objectives (priorities) of the Republic of Tatarstan and the tasks of the state support of small business activity are inconsistent. Structured control system adequate to the existing management system that takes into account the purpose and objectives of small business development should be a base of sustainable innovation development of the Republic of Tatarstan.

ACKNOWLEDGMENTS

The work is performed according to the Russian Government Program of Competitive Growth of Kazan Federal University.

REFERENCES

- Duplenko, N. G. (2014). Diagnostics of regional asymmetry in innovative development of small business. *Bulletin of the Baltic Federal University named after Kant*, 3, 97-108.
- Economidou, C., & Kool, C. (2009). European economic integration and (a) symmetry of macroeconomic fluctuations. *Economic Modelling*, 26 (4), 778-787. doi:10.1016/j.econmod.2008.07.009
- Behrens, K. (2005). How endogenous asymmetries in interregional market access trigger regional divergence. *Regional Science and Urban Economics*, 35 (5), 471-492. doi:10.1016/j.regsciurbeco.2004.06.002
- Kim, Y (2005). The optimal path of regional economic integration between asymmetric countries in the north east Asia. *Journal of Policy Modeling*, 27(6), 673-687. doi:10.1016/j.jpolmod.2005.05.004

- Krotkova, E. V. (2014). State control over the implementation of mechanisms to support programs of small business in the Republic of Tatarstan. *Kazan Economic Bulletin*, 4, 79-86.
- Mullakhmetov, K. S. (2009). State control in a commercial organization. *Management in Russia and abroad*, 6, 31-38.
- Mullakhmetov, K. S. (2009). *Control-management*. Moscow: JSC Ekonomika Publishing House.
- Mullakhmetov, K. S. (2015). Some approaches to the development of the management control concept. *Journal of Advanced Research in Law and Economics*, 6(1), 128-137. doi:10.14505/jarle.v6.1(11).15
- Mullakhmetov, K. S. (2005). Some approaches to management control organization. *Management in Russia and abroad*, 6, 3-9.
- Mullakhmetov, K. S., Aminova, R. M., & Akhmetshin, E. M. (2014). Control in a management system in modern conditions. *Asian Social Science*, 10 (24), 237-247. <http://dx.doi.org/10.5539/ass.v10n24p237>
- Mullakhmetov, K. S., Nazmiev, E. F., & Akhmetshin, E. M. (2015). Control in the system of public administration in Russia. *International Business Management*, 9 (7), 1732-1736. doi:10.3923/ibm.2015.1732.1736