

Creation of institutional conditions and mechanisms of entrepreneurship development in the region (using as the example the Volgograd region)

M M Guzev¹, M V Ledeneva¹, G G Egorov¹, L V Shamray-Kurbatova²

¹ Volzhskiy Humanitarian Institute, Volzhskiy Branch of the Volgograd State University, ul. 40 Let Pobedy, 11, Volzhskiy, Volgograd region, 404133, Russia

² Private Educational Institution of Higher Education «Volgograd Institute of Business», ul. Kachintsev, 63, Volgograd, 400010, Russia

e-mail: ledeneva.mv@vgi.volsu.ru

Abstract. The transfer of the Russian Federation to the market economy had a negative impact on the industry of the Volgograd region and determined the process of deindustrialization. For the reconstruction of the industry since 2013 to present day the institutional sphere of small and medium sized entrepreneurship (SME) development within the government program “Economic development and innovative economy” is being created. The program supposed the foundation of centers for entrepreneurial support, business incubators, microfinance centers, regional guarantee funds, engineering centers, prototyping centers, centers for export support and other elements of infrastructure in the regions of the Russian Federation. The article studies the process of the creation of institutional conditions and mechanisms of entrepreneurship development in the Volgograd region, the statistical data on the governmental support of small and medium sized enterprises from the point of view of the created elements of institutional environment. Despite significant efforts on the creation of institutional sphere, the tendency which is observed today is the escape of business from the Volgograd region and transfer to more successful regions of the Russian Federation. This fact is connected first of all with a considerable reduction of incomes and the purchasing ability of population. The authors analyzed indices of the development of small and medium sized enterprises in dynamics. The conclusion about negative trends in this sphere is made. The innovative development of a region is a driver of the industrial development needs special conditions. In particular they are industrial parks, cluster potential of the territory and also new mechanisms of innovations’ encouragement i.e. innovative vouchers. For the moment the efforts are made in the implementation of the project in the chemical and pharmaceutical industrial cluster.

1. Introduction

An important role in the support of small and medium sized enterprises belongs to the government which creates the institutional environment for entrepreneurial development at the federal and regional levels. The international and national science has accumulated a number of researches carried out by academic scientists, social organizations of entrepreneurs, expert and consulting agencies which are aimed at the study of the measures that should be taken for entrepreneurial development.

However a constant optimization and improvement of forms and ways of governmental support of small and medium sized enterprises is needed. One of the mechanisms is bench marketing which allows using and adjusting the foreign practice and the regional experience of other regions. In this respect it is important to study the forms and mechanism of entrepreneurship encouragement, removal of administrative barriers, improvement of laws for business in the Volgograd region.

The creation of institutional conditions of the support of small and medium sized enterprises in the region is an important factor of its sustainable social and economic development. In Russia the programs of federal and regional level in this sphere are realized with effort as it is connected with the imperfectness of both laws and administrative management. The institutional prerequisites and



measures of the entrepreneurship encouragement in the region are also determined by the condition of health care system, educational system, standard of living and quality of life of the population, focus on the social policy and other factors.

2. Results and discussion

At the present time serious measures of the support of small and medium sized enterprises are taken at the federal level of the Russian Federation. The federal law № 209-FZ dated 24.07.2007 “On development of small and medium sized enterprises in the Russian Federation” specify the creation in the Russian Federation the development of the infrastructure for the support of SMEs which is accomplished within the federal program of the Russian Federation “Economic development and innovative economy” for the period 2013-2020. The measures of the government support of SMEs' include the reduction of administrative burden of the SMEs, development of special taxation regimes, development of the net of regional organizations of the SMEs' support (centers for entrepreneurial support, business incubators, centers for export support, engineering centers, microfinance organizations, guarantee funds and so on). Only in 2017 7,5 billion rubles were allocated from the federal budget for the governmental support of SMEs from 82 regions of the Russian Federation including the Volgograd region (124,4 mln rubles) [1]. In 2018 408,76 million rubles were allocated from the reserve fund of the Government for the co financing of capital investments into the construction of a business incubator (Kaluga region), technological park (Lipetsk region), Tutaev industrial park “Master” (Yaroslavl region), industrial park “Safonovo” (Smolensk region), industrial park “Aurora” (Republic of Dagestan).

During 2011-2013 in Russia the institute of the regulation assessment was developed for the prevention of the appearance of new barriers for business and the reduction of the existing impediments developed. In the result a new model of departmental law making was created which is focused on the analysis by the business community of laws suggested by federal authorities. However the impact of business community on the measures taken by government is limited [2].

Over recent years in the Volgograd region the infrastructure of the support for SMEs within the implementation of the federal program “Economic development and innovation economy” and corresponding regional programs was in general created. In the region there exist: center for entrepreneurial support, business incubator, regional engineering center, engineering center at the Volgograd State Technical University, regional microfinance center, regional guarantee fund. In 2018 the center for innovations in the social sphere was established. It will assist the social entrepreneurs and socially oriented non profit organizations. In 2020 the prototyping center is planned for opening.

In 2018 the regional Fund for Micro Financing of Entrepreneurship gives loans to SMEs at 7,75% interest year what is almost twice as low than interest rates in commercial banks. The guarantee fund gives the guarantees on bank loans for about 70% from the amount of the credit.

The center for support of entrepreneurship provides free advisory services concerning finance planning, marketing, patent and license support, legal support, labour legislation. In this center the representatives of SMEs can fill in the claim forms, references and other procedural papers with the help of legal consultants.

The indices which characterize the institutional environment and measures for support of SMEs are presented in Table 1.

Table 1. Governmental support of SMEs in the Volgograd region from the budget of the Ministry for Economic Development

Year	Volume of subsidies from the state budget allocated for the governmental	Number of loans provided against the guarantee from the guarantee fund	The amount of loans provided against the guarantee from the guarantee fund, thousand rubles	Number of SMEs (residents of the business incubator)	Total number of the employees hired by the SMEs (residents of the business incubator)
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	support of SMEs, thousand rubles				
2015	297498	96	902205	15	51
2016	152000	120	1064816	15	68

Source: Federal Service for State Statistics

The Volgograd region is one of ten pilot areas where the educational project of the Public Company “Russian Export Center” is being realized. In 2016 the Center for Export Support Coordination was established for the provision of informational, analytical, consulting and organizational support of foreign economic activity of SMEs, contribution to the attraction of investments and exit of export focused SMEs into international markets. The center of coordination of export support of the Volgograd region provides informational, analytical, advisory and organizational support of the foreign economic activity of SMEs, assistance to the investment raising, support at the exit of firms into foreign markets. During the training course offered by the center for export support the entrepreneurs were taught to negotiate business, close transaction with foreign firms, studied the customs rules of delivery, fiscal issues of the activity, specificity of online trade for exporters. Summarizing the results of training within the educational project Public Company “Regional Export Center”, 131 employees from 40 companies obtained the educational certificates. Besides the Center for Export Support helps SMEs prepare the papers for the registration of companies with foreign investment. In 2017 the Public Company “Regional Export Center” organized the points of information for the enterprises of the Volgograd region at the largest Russian and international exhibitions and also business missions in Volgograd and abroad.

Since 2017 the informational source “Business navigator” was founded in the Volgograd region. With the help of this source a potential entrepreneur can get the access to the information about the existing market niches for business, all types of support for SMEs and specialized financial and credit resources in a “one window mode”. The web portal contributes to the creation of an approximate business plan and gives the information about competitors.

In the Volgograd region the non profit partnership “Volgograd Center for Technology Transfer” also functions. The organization mentioned above is the representative of the Fund for Support of SMEs in the scientific and technological sphere of the Volgograd region and operator of the project “Encouragement of youth innovative entrepreneurship in the Russian Federation” in the Volgograd region. Its main tasks are: establishment of small innovative enterprises, provision of measures in the identification of perspective R&D works directed on a further profit making among students and young researchers, search of partners in the commoditization of developments; monitoring of the R&D results funded by the programs “Participant of youth innovation competition” (UMNIK) and “Start” of the Fund of the assistance to the development of SMEs in scientific and technological sphere.

By 2020 the creation of a chemical and pharmaceutical cluster is expected to be finished. The goal of the creation of the chemical and pharmaceutical cluster is the provision of population with strategically important, innovative and high class drugs what will implement the conception of national security. The chemical and pharmaceutical cluster of the Volgograd region will consist from the educational, scientific, manufacturing and social functional areas. The main participants of the cluster will become the leading scientific and research organizations of the Volgograd region: Volgograd state medical university, Volgograd scientific and research medical center at the Administration of the Volgograd region, research institute of pharmacology at the Volgograd state medical university and also the largest chemical enterprises of the region (PC “Khimprom”, PC “Kaustik” and PC “Volzhskiy orgsintez”).

The agreement between the administration of the Volgograd region and the company RUSAL was reached on the creation of a new industrial cluster. The idea of the project of the Volgograd technological valley specifies the establishment of new enterprises next to the production of primary

aluminum with the opportunity of the direct delivery of the liquid metal. The production of major conversion goods is planned. They are final goods including construction materials, automobile components, structures and constructions using the aluminum roll sections. It is reasonable to include into the clusters the SMEs which could carry out research and development work upon the order of large companies.

The integrated program “Creation of technological parks in the sphere of high technologies” started to realize in the Volgograd region. The attempts to open a technological park were made but they were unsuccessful. It’s an open secret that both the procedures of use of new technologies and also the program complexes for their realization also assume considerable time for its establishment, further normal functioning and identification of inevitable problems and drawbacks of legal and organizational character.

The Federal Law “On the provision of governmental and municipal services” fixed as the main ones the principles connected with the realization of the citizens of their rights in the sphere of entrepreneurship: the rights of claimant and the duty of the organ providing governmental and municipal services, set of definite requirements on the interaction with claimants; order of payment; interdepartmental informational communication between the representatives of various authorities which is determined in administrative regulations; ways of agreements’ settlement what is one of the most considerable innovations in the regional policy connected with the development of local entrepreneurship. Further their optimization is needed.

For the moment the existing administrative regulations connected with the provision of governmental services present in its essence the static documents which are in reality static papers which are approved by the departmental act of a corresponding federal authority and as a rule contain significant excess information. The federal bodies of executive power notice the necessity of the optimization of both the structure of administrative regulation and the legal basis of the provision of governmental services and functions of the government administration. The provisions mentioned above specify the order of informational and legal advisory interaction which is written in the corresponding papers duplicating the existing stipulations of the regulation.

Thus in the region a significant work in the creation of institutional conditions and mechanisms of entrepreneurship development was carried out. At the same time SMEs do not have a corresponding impact on its economic development. Besides we can even state the tendency of the escape of business from the Volgograd region.

The dynamics of the number of SMEs (Table 2) shows that their total number practically does not change and fluctuates at the number of 74-75 thousand. The number of the recorded small firms in the Volgograd region tends to reduce from 2010 to the present moment. By the middle of the year 2018 their number reduced to 2526. The number of micro firms during this period grew what suggests that some part of small enterprises out of necessity reduce costs under the influence of the overall stagnation and move into the group of “micro firms” [3]. It is worth mentioning that not all registered enterprises do business in reality. Thus according to the data of continuous reading of small and medium sized firms in 2015 only 18715 small enterprises or 59,6% from their total number worked in practice [4]. The negative dynamics shows also the number of sole proprietors which in fact dido business in the reference year. The number of the employed in small and medium sized firms in 2010-2016 reduced by one third. A sharp increase of the number of SMEs in 2016 was due to the growth of prices for their production. It is worth mentioning that according to the data of the Federal Service for State Statistics the inflation rate in 2015 made up 12,9%.

The main reasons of the observed outflow of business from the Volgograd region became the reduction of already low real disposable incomes of the population and the business number what lead to demand reduction for goods and services and the profitability of enterprises. According to the Federal Service of State Statistics the Volgograd region in 2016 had the 73th rank in the Russian Federation. Among the regions which are attractive for life and doing business the natives of Volgograd mention the Krasnodar krai, Belgorod region, republic of Tatarstan, Moscow and Saint Petersburg [5]. These regions are also affected by the crisis but at a lesser degree than the Volgograd

region. Thus for instance the disposable real incomes of the population in the Volgograd region in 2016 made up 88,9% from the rate of 2015 what is one of the worst indices in the regions of the Russian Federation (larger rates of real incomes drop are observed in the Republic of Tyva). After all labour resources, human capital are a decisive factor of entrepreneurial development.

Table 2. Indices of SMEs' development in the Volgograd region in 2010–2016

Year	Number of SMEs without micro firms)	Number of micro firms	Number of middle sized enterprises	Number of working sole proprietors	Business sales in current prices, mln. rubles	Number of the employed in SMEs, thousand persons
2010	3729	22974	407	47119	316263,9	353367
2011	3560	21329	290	49053	283409,2	289396
2012	3794	23354	219	47241	305900,5	277924
2013	3354	24658	217	46889	318035,2	268841
2014	3414	25247	216	44945	383490	265766
2015	3081	28332	238	37522	551434,5	264252
2016	2820	30932	181	41425	413380,3	239143

Source: the data of the Federal Service for State Statistics

The main problems in the development of human capital in the Volgograd region are: low salaries, social vulnerability especially of health care professionals and education workers; poor accessibility of health care services provided by the government for the population. A low standard of living does not allow the population using the services of private clinics. There are problems of youth employment after professional training, especially higher education. There is poor integration of the interests of employers, professional educational institutions and students in particular.

The problems of the Volgograd region and other regions of the Russian Federation which were mentioned above are the result of the so called “post communist changes” of 1990s which lead to a crisis in science and education, “brain drain”, reduction of high tech industries, reduction of life standard of population and the failure of management institutes [6].

The main indicators of human capital reduction of a territory are the outflow of enrollees, young specialists and labour force of the working age from the Volgograd region into other regions. The Volgograd region lags considerably upon the budgetary expenditures per capita, average nominal payable salaries, new housing supply, number of provided mortgage loans, natural population growth, total volume of dwelling units calculated per head of population.

Another reason of the outflow of business from the Volgograd region became the pressure on business in the form of office audits, growth of number of court suits, cases of invoicing blocks of entities and sole proprietors, lack of attention of regional authorities to the problems of SMEs. Thus for instance the Volgograd region passed the regional law on the trade regulation (in the support of the Federal Law № 381-FZ dated December, 28th 2009 “On the foundations of the government regulation of trade in the Russian Federation) although the need was obvious considerably earlier.

Further a constraining factor for business development is the uncertainty of the economic situation and the tax burden which is assessed by SMEs as a heavy one.

Finally it is a frequent change of regional leaders (and their teams), lack of unity in the local elite, incompetency, lobbying of group interests which also does not contribute to the development of the entrepreneurship in the region.

The coordination of legal acts between regional and local authorities in the sphere of entrepreneurial support in the taxation remains a problem. Thus according to article 72, paragraph 10 of the Constitution of the Russian Federation the establishment of common principles of taxation is a joint competence of federal and regional authorities of the Russian Federation. Article 132 of the Constitution of the Russian Federation says that the local authorities have the right of tax and duties' assessment. Certainly the tax powers of regional and local authorities are limited by the federal tax

law. Thus the regions of the Russian Federation and municipal authorities in an order and limits fixed by the Tax Code of the Russian Federation determine tax rates, the order and terms of payment of regional and local taxes unless this taxation specificity is not written in the Tax Code of the Russian Federation. Besides in the order and limits specified in the Tax Code of the Russian Federation, the public and legal organs mentioned above can determine the specificity of the tax base, tax exemptions, foundations and the order of their use according to regional and local taxes correspondingly [7].

3. Conclusion

The first order task of the creation of institutional conditions and mechanisms of entrepreneurial development in the region should become the leading out of industrial complex of the Volgograd region at a higher technological level, its modernization, identification of “growing points”, increase of the output of science intensive production. The most perspective from this point of view are chemical industry, machine construction as the most science intensive industries. As the research shows the entrepreneurship is rather an opportunity in the future in the countries driven by innovations than a better way of earning a living in the countries focused on the efficiency [8], [9].

On the basis of the commercialization of R&D of higher educational institutions and the scientific research of the region at the support of the Administration of the Volgograd region of small and medium sized innovative startup companies via the financing of the infrastructural support of SMEs of the region (Volgograd regional business incubator, Center of Engineering of the Volgograd region, Regional guarantee fund, Regional microfinance center) it is possible to develop new technology intensive enterprises in the sphere of informational technologies, pharmaceuticals, chemical industry and so on.

The opening of specialized industrial grounds (industrial parks) equipped with engineering infrastructure, approach roads, technological parks, development of sectoral regional clusters with the creation on their basis of innovative territorial clusters will contribute to the attraction of investments into the region. It is necessary to pay attention to the creation of optimal conditions for existence and development of firms (residents) from various regions, creation of additional tools and services. Good results which the Kaluga region shows where achieved thank to the PC “Corporation of development of the Kaluga region”. With the help of this private public partnership 12 industrial parks were created. In this region 99 investment projects are implemented, an industrial production special economic zone “Kaluga” functions.

In order to encourage the innovation activity of SMEs by means of their cooperation with public and private providers of R&D services it is indispensable to introduce the innovative vouchers in the Volgograd region. An innovative voucher is a security (certificate) confirming the right of the owner, small or medium sized enterprise to get R&D services from a higher educational institution or a specialized consulting company within the nominal value of the voucher for the solution of problems of enterprise [10].

The public and private partnership within the mechanism of creation of industrial parks and the implementation of cluster potential of a territory will contribute to the creation of conditions for an innovative development of the region. The Volgograd region has all the necessary prerequisites for the development of agricultural, pharmaceutical, metallurgical, petrochemical clusters which will be a factor of encouragement of SMEs. In any case this fact is confirmed by the experience of other countries.

It is necessary to improve further the administrative regulations. The informational coordination of governmental authorities and municipal authorities is expected to ensure the right of getting such information both upon request and within the realization of corresponding powers of an authority, i.e. the diffusion of information among a definite audience. Such a situation will allow providing a full scale access to the systems of informational interaction of entrepreneurs as consumers of governmental services.

One of the forms of a successful and perspective provision of federal and municipal services in the Russian Federation influencing the entrepreneurship development became the “one window” system.

Unfortunately Russia does not provide the “one window” system for all forms of entrepreneurial financial reporting. The financial reporting is presented to various authorities and moreover it is duplicated. That’s why the introduction of such a governmental service is extremely important for Russia.

It is reasonable to include the obligatory entrepreneurship lessons into the school curriculum and to offer business trainings in higher educational institutions in dependence on the specialization of the faculty what was suggested by the All Russian public organization of small and medium sized entrepreneurship “Opora Rossii” (Support of Russia) [2].

For the development of entrepreneurship in the region the analysis of risks arising on the basis of legal regulation in budgetary and fiscal areas matters. The mentioned situation is connected with the powers of the regions of the Russian Federation within local administrative independence. Frequently when analyzing the territorial risks of budget sphere a special accent is made on an unjustified growth of the tax burden on the budgets of the regions of the Russian Federation and the budgets of municipalities for the provision of their balanced character.

The general legal mechanism in the prevention of appearance of territorial risks in the budgetary sphere can be presented by the following measures. These are legal regimes connected with the implementation of the so called budgetary immunity admitting the levying of budgetary funds only on the basis of Act of court except the cases set by the Budgetary Code of the Russian Federation (Article 239), provision of the opportunity of creation of reserve funds of the regions of the Russian Federation within their budgets for the financial provision of their expenditures in case of an insufficiency of budget profit (Article 81.1 of Budgetary Code of the Russian Federation) and also the creation of reserve funds of executive authorities of the Russian Federation and municipal authorities for a financial provision of unpredictable expenditures (Article 81 of Budgetary Code of the Russian Federation). All these measures can contribute to the improvement of institutional conditions of the entrepreneurship development in the Volgograd region.

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