

Regional Aspects of Financial Support for Small and Medium Enterprises

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Abstract: The study investigates the prospects of financial support for small and medium sized businesses at the regional level. A comparative analysis of the quantitative indicators of development of SMEs in the EU and Russia is given. The dynamics of the development of small and medium enterprises in the context of economic activities in the Russian Federation, the Central Federal District and in the Belgorod Region is analyzed. The researcher's technique of scoping of the budgetary funds necessary for rendering the state support to subjects of small and average business is offered and approved on the example of the Belgorod Region.

Key words: Small and Medium Enterprises (SMEs), financial support, quantitative indicators, socio-economic development of the region, analyzed

INTRODUCTION

Small and medium business is an essential element of the economic system of the country which has a significant impact on the competitiveness of the state. Small and medium enterprises as a very flexible form of management, responsive to changes in the market are able to generate new economic growth points, exerting an effective influence on diversification and improving the efficiency of the economy.

The role of small and medium enterprises is primary high for the regional economy. This fact is determined by the specific sectoral activities of small enterprises: the scope of social services, retail trade, catering, etc. These companies, working mainly on local markets, contribute to the solution of a number of socio-economic problems in particular an increase in the gross regional product, the growth of employment, the level and quality of life. In addition, small and medium-sized enterprises account for more favorable conditions for the regulation of the regional economy as they are increasingly dependent on regional and local authorities than large enterprises (Weerasiri *et al.*, 2012).

QUANTITATIVE INDICATORS OF DEVELOPMENT OF SMALL AND MEDIUM-SIZED BUSINESSES IN THE RUSSIAN FEDERATION

According to statistics, the main indicators of small and medium business in Russia remain low in comparison with developed countries for several years. Experts estimate that the contribution of small and medium enterprises in the gross domestic product of

Russia is at the level of 17-20% which is 3 times lower than those of the European Union, USA and Japan. The comparative analysis of the main indicators of small and medium-sized businesses in Russia and the European Union is shown in Table 1.

The segment of small and medium enterprises in the gross domestic product of Russia is on average about 20% while in the EU the same figure is in the range of 50-70% in the US >50%.

Exploring the dynamics of SMEs on core activities, it should be noted that in the whole country is dominated by enterprises in wholesale and retail trade, repair of motor vehicles, household appliances and appliances for personal use, real estate and construction.

Table 2 shows the dynamics of the number of SMEs in the context of economic activities in Russia, Central Federal District and in the Belgorod Region.

Currently, there are 68000 subjects of small and medium sized businesses in the Belgorod Region, including 21600 small and medium enterprises-legal entities and 46400 individual entrepreneurs.

Table 1: Comparative analysis of the main indicators of small and medium-sized businesses in Russia and the European Union (Compiled by the researcher according to data from the resource center for small businesses. Statistics of small and medium entrepreneurship in Russia: 2010-2013)

| Indicators | Russian Federation | Countries-members of the EU |
|--|--------------------|-----------------------------|
| The contribution of small and medium enterprises in the country's GDP (%) | 17-20 | 50-70 |
| The number of employe in small and medium-sized businesses of the number of employees in all enterprises (%) | 27 | 67.4 |
| The share of small and medium enterprises in the total number of enterprises (%) | 97.2 | 99.8 |

Table 2: The number of SMEs in the context of economic activities in Russia in the Central Federal District and the Belgorod Region (Compiled by the researchers according to data from the resource center for small businesses. Statistics of small and medium entrepreneurship in Russia: 2010-2013)

| Periods | Real estate | Construction | Wholesale and retail trade, repair of motor vehicles, household appliances and appliances for personal use |
|---------------------------------|-------------|--------------|--|
| Russian Federation | | | |
| 2011 | 382954 | 204548 | 730925 |
| 2012 | 410252 | 232921 | 790142 |
| 2013 | 420212 | 243069 | 810152 |
| Central Federal District | | | |
| 2011 | 124408 | 55374 | 224684 |
| 2012 | 127428 | 59659 | 231260 |
| 2013 | 129233 | 60481 | 233050 |
| Belgorod Region | | | |
| 2011 | 3288 | 2702 | 7636 |
| 2012 | 3638 | 3393 | 8877 |
| 2013 | 4144 | 3787 | 10074 |

FINANCIAL SUPPORT FOR THE DEVELOPMENT OF SMALL AND MEDIUM-SIZED BUSINESSES AT THE REGIONAL LEVEL

The provision of financial support to small and medium-sized enterprises and organizations of the infrastructure support of small and medium-sized businesses can be carried out in accordance with the legislation of the Russian Federation from the budgets of subjects of the Russian Federation at the expense of local budgets through grants, budgetary investments, state and local government guarantees the obligations of small and medium business and organizations forming the infrastructure to support these entities.

The federal budget for state support of small and medium-sized enterprises according to the federal law on the federal budget is provided from the budgets of the Russian Federation in the form of grants in accordance with the procedure established by the government of the Russian Federation.

In the Belgorod Region, the SMEs are systematically and deliberately maintained since 2003. For the period from 2003-2011, business has attracted for the development nearly 23 billion rubles from all sources of direct financing of state support including the regional and federal budgets about 3 million rubles, credit resources of commercial banks 20 million rubles.

One of the programs of financial support for small and medium sized businesses in the Belgorod Region is a program “Development and state support of small and medium enterprises of the Belgorod Region in 2011-2016”. The total amount of resource support of the program for the years 2011-2016 for all sources of funding 12187.0 mln. rubles. Currently, financial support for small and medium enterprises of the Belgorod Region covers the following areas:

- Formation (completion) of MFI funds intended for lending to small businesses
- Micro financing of small and medium enterprises at the expense of credit resources of commercial banks
- Grants for new entrepreneurs to establish their own business
- Grants for the organization of the groups daily pastime preschool children and other similar activities on care and child care (centers pastime of children)
- Subsidizing part of the cost for small and medium-sized enterprises to pay the interest on loans obtained in Russian credit organizations for the construction of industrial buildings, structures and equipment acquisition, purchase of land and industrial buildings for the creation, development and modernization of the production of goods
- Promotion of the development of the leasing of equipment by small and medium sized businesses

A TECHNIQUE FOR DETERMINING THE AMOUNT OF BUDGETARY FUNDS FOR THE PROVISION OF STATE SUPPORT TO SMALL AND MEDIUM ENTERPRISES

We propose the method of calculating the budget which is necessary and sufficient to provide state support to small and medium-sized businesses and organizations that form the infrastructure support for business (Fig. 1).

As a part of the method, it is supposed to conduct preliminary calculations of the maximum amount of budget financing programs with the possibility of subsequent adjustment based on the specification of the priorities of small and medium-sized businesses, the real financial possibilities of the budget as well as the current financial and budgetary practices in the region (Tang *et al.*, 2010).

The key principles of the methodology of calculation of necessary and sufficient budgetary resources are the

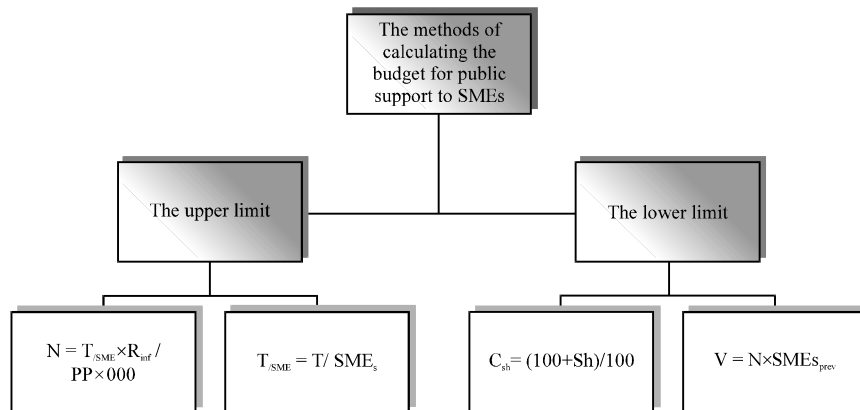


Fig. 1: The methods of calculating the budget to provide state support to small and medium sized businesses and organizations that form the infrastructure support for business (researchers development, based on “development and state support of small and medium enterprises of the Belgorod Region in 2011-2016” (Gogoleva and Grachyova, 2014; Ryabtsev, 2012)

Table 3: Calculation of financial state support of small and medium enterprises in the region on the example of the Belgorod Region (Calculated by the researcher according to data from the federal service of state statistics of Russia)

| Periods | The turnover of SMEs mln. rubles | The number of SMEs thousand units | Inflation rate (%) | The permanent population of the region, thousand people | The share of the federal budget in the consolidated regional budget revenues (%) |
|---|--|-----------------------------------|--------------------|---|--|
| 2011 | 297086.4 | 35912 | 5.5 | 1532.4 | 50.2 |
| 2012 | 319350.2 | 41304 | 6.2 | 1536.1 | 46.7 |
| 2013 | 359191.6 | 46791 | 6.2 | 1541.0 | 41.9 |
| 2014 | 354159.7 | 24315 | 10.5 | 1547.9 | 41.1 |
| The value of the norm of budget financing of SMEs between per one enterprise thousand rubles the upper and lower limit of the value of this indicator | | | | | |
| Periods | The turnover of small and medium enterprises | | | | |
| The upper limit | | | | | |
| 2012 | 7.2 | | | 0.3 | |
| 2013 | 6.8 | | | 0.5 | |
| 2014 | 14.8 | | | 0.5 | |
| Periods | The share of the federal budget in the consolidated revenues (%) | | | The volume of the necessary budget, mln. rubles | |
| The lower limit | | | | | |
| 2012 | 1.5 | | | 10773.6 | |
| 2013 | 1.4 | | | 20652.0 | |
| 2014 | 1.4 | | | 23395.5 | |

principle of transparency and the principle of universality, due to the possibility of using techniques for different entities of the Russian Federation (or municipalities), extensive use of official statistics for the purposes of analysis, availability and ease of use in practice (Nikulina *et al.*, 2013).

The necessary and sufficient budget funds for financing purposes are calculated based on the data about the dynamics of the total number of small and medium-sized enterprises and the single standard of financial resources allocated for their support using the following indicators:

- N: the value of the norm of budget financing of SMEs between the upper and lower limit of the value of this indicator
- PP: the permanent population of the region as of January 1 of the previous year

- R_{inf} : inflation rate
- Sh: the share of the federal budget in the consolidated regional budget revenues this year
- SMEs: the number of SMEs in the region over the period under consideration
- $SME_{s_{prev}}$: the number of SMEs on 1 January of the previous year
- T: the turnover of SMEs in the region as of January 1 of the previous year
- T_{SME} : the turnover of small and medium enterprises per one enterprise
- V: the volume of the necessary budget, mln. rubles

Based on this methodology, we calculated the budgetary resources for the provision of state support to small and medium-sized businesses at the regional level (Table 3).

The volume of budget funds for the financing of small and medium sized businesses in the region in 2012, according to our calculations to the procedure was 10773.6 mln. rubles in 2014-23395.5 mln. rubles. Despite, the fact that the share of the federal budget's consolidated revenue in 2013 and in 2014 was the same, the difference in the amount of budgetary funds amounted to 2743.5 mln. rubles.

CONCLUSION

Thus if the value of the norm of budget financing of small and medium-sized businesses as well as the amount of funding and support will be higher, the size and turnover of small and medium enterprises will be increased accordingly we will see a positive trend of development of business.

At present it is necessary to solve the task of forming a methodological holistic and adaptive infrastructure for financial support of small and medium-sized businesses with the ability to respond adequately and timely to the rapidly changing environment and organize precisely those institutions that will be able to create the necessary

conditions for the normal functioning and development of small and medium enterprises at federal and regional level.

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