

GOVERNMENT SUPPORT OF SMALL BUSINESS AND ITS DEVELOPMENT MECHANISM

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Abstract. *The development of small business affects the level of financial well-being of the population of the country, and as a consequence, to increase the quality of life of citizens. The article specifies that large-scale state support is being implemented in Russia, with the help of which activities related to the creation and improvement of the conditions for the development of small business are being implemented. However, each region has its own economic and social development features, they have different financial capabilities and investment and innovation potential. The article shows the dynamics of small business development in Russia in the Central Federal District. In this situation, problems of creation and development of small business in the regions of the Central Federal District have been identified and a mechanism has been developed for the development of a system of state support for small businesses.*

Keywords: *state support; small business; development mechanism.*

Introduction

Nowadays, the problems of small business development are the most pressing issues for the modern-day Russian economy paradigm. This is explained by many circumstances: small business provides high dynamics of economic growth, helps to solve the problems of economic restructuring, doesn't require significant investments, keeps a significant share of the economically active population busy and supports labor efficiency; causes the competitive environment formation and the market clearing. Furthermore, due to not great scale, small enterprises are able to respond more flexibly to changing economic conditions, as well as to consumer demand fluctuations, market condition changes, adding additional stability to the economy thus. In Russia, small business accounts for just over 22% of gross domestic product (Fig. 1). Economic and social functions of small business put its development in the category of the most important state tasks, make it an integral part of reforming the Russian economy. Meanwhile, small business is a risky economic activity due to a lack of resource provision. Small business without state support and without its own intra-group interaction is not always able to successfully resist large-scale capital in the competitive struggle and defend its political, social and economic interests. At this stage, there is a need to form new, expand and improve existing mechanisms of state support for small businesses. At the same time, the state's task is to create legal and economic conditions for their survival, the ability to grow and develop themselves in the market. The result of these investments is, in the final

analysis, a high level of quality of life for the population. Therefore, the main role in supporting it is currently assigned to the government. For comparison: in the European Union, the US, Japan, this figure is about 60% of GDP.

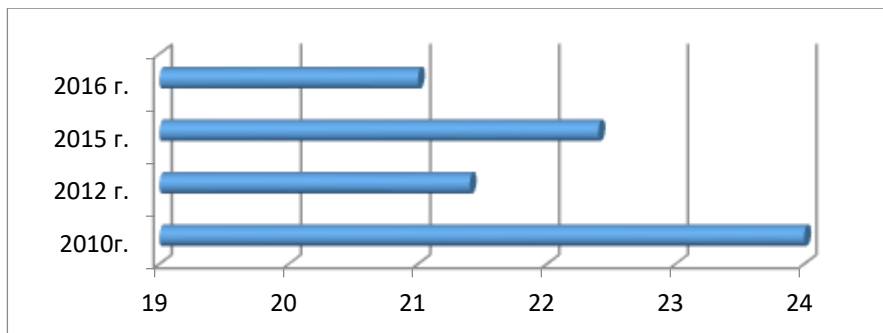


Figure 1. The share of small business in the GDP of Russia

Government support of small business in Russian

With the purpose of small business support, the Russian Government adopted a social and economic development program of the country by 2020. It reflects the features of assistance to small and medium-sized businesses. The use of the assistance forms is aimed at creating healthy competition, as well as improving the overall living standards of the population. Providing the government assistance makes it easier to start your business from scratch. While creating a company, an entrepreneur runs into shortage of money and information. The modern forms of assistance can help to resolve this situation. However, the government support isn't always enough for a successful start.

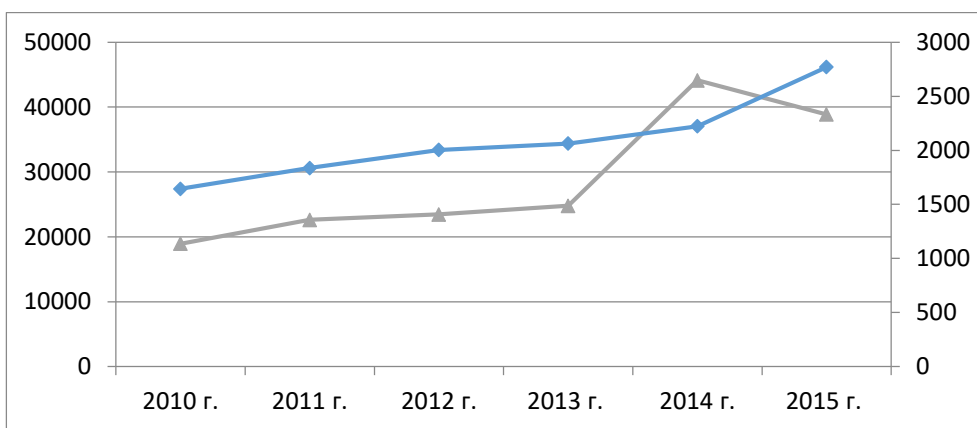


Figure 2. Dynamics of the small business enterprises number and their total turnover

The strategy of the socio-economic development of Russia by 2020 states the small and medium-sized businesses improvement is one of the main economic priorities. The government assistance activities aim to ensuring the development of SMEs as one of the most important elements for the market economy. In accordance with the implementation of this strategy, the government support is fixed at the legislative level. For instance, the contract system law (44-FA) obliges customers to purchase at least 15% of the total annual volume of purchases from small business enterprises.

Since August 2016, the Federal Tax Service launched a Single register of small and medium-sized businesses into commercial use. The register allows not only to systematize and make clearer the entrepreneurs' activity sphere, but also contains information about what affects the business reputation of SMEs, for example, information regarding contracts concluded in accordance with Law No. 44-FA or Law No. 223-FA. The second most important regulatory act regulating procurement activities is Law No. 223-FA, which provides for the obligation of corporate customers to fulfill the mandatory quota of procurement from small and medium-sized businesses in the amount of 18%. At the same time, at least 10% of this quota should be sent by customers to entrepreneurs according to the results of the purchases, which can be realized by small and medium-sized businesses only. Services for SMEs that facilitate making the state purchases "By now, there is a comprehensive system of free services and solutions on the RTS tender platform, which makes it easier for SMEs to participate in procurement.

Due to Government program "the development of small and medium-sized businesses", 7.5 billion rubles were allocated to 82 subjects of the Russian Federation in total in 2017.

Especially for small businesses, there are various free educational projects. As an example, within the framework of Russian national award "Business Success", organized by public organization "Support of Russia" in cooperation with the RTS-tender platform, special master classes for entrepreneurs are held, dedicated to the existing tax preferences and government assistance programs, as well as Express course "I am a supplier", where future participants of procurement can receive theoretical and practical knowledge necessary to start working in the field of state and corporate orders.

Today, the government support is carried out in the following areas: the creation of laws and regulations for assistance and development to business sector representatives; the organization of the personnel training for small businesses; the formation and provision of the social security system in the common business space; the creation of preferential conditions for using information, financial and other resources by business; the inclusion of representatives of the sphere in foreign economic activity programs.

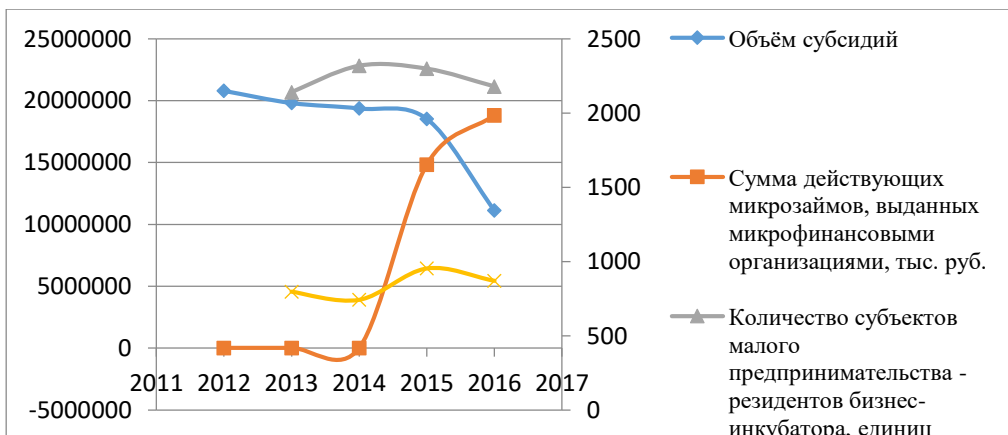


Figure 3. Dynamics of state support of small enterprises

The ministers seek to assist those who have decided to start a business. The assistance is provided in accordance with the following programs: Federal, regional, sectoral and inter-sectoral, municipal. Annually, before the Federal budget submission the Russian Federation government introduces a draft federal program of the government assistance of small business in the Federal Assembly of the Russian Federation for discussion. The programs financial support is executed yearly at the expense of the budgets of different levels, as well as other sources. The mandatory annual allocations amount of the state aid is indicated in the expenditure part of the Federal budget; it goes according to law No. 88-FA.

Table 1. Forms and methods of the government support of small business

| Forms and methods of the government support of small business | Notes |
|--|--|
| Financial support | |
| In a number of instances | The state provides financial assistance free of charge. But an entrepreneur must meet the requirements for the program participants. The volume of the subsidy can reach up to 300 000 rubles. The decision as regards providing it is made after the business plan analysis. There is a number of programs which allow you to get money on credit to start and develop your business at a low interest rate. Prequalification for trade shows and fairs is charge-free. The creation of youth innovation creativity centers (providing subsidies for the creation of centers in the amount of up to 7 million rubles per one support recipient) |
| The compensation of interest rates on loans | |
| Issuance of soft loans | |
| Provision of financial support to start-up entrepreneurs | |
| State and municipal guarantees on loans of commercial banks for projects of creation and development of small business | |
| Budget investment in fixed and working capital | |
| Financing investment projects | |
| Placement of products on free shopping sites | |
| Development of youth entrepreneurship | |
| Property support | |
| The provision of land property and premises for rent on favorable terms | An Entrepreneur can get for temporary use a plot of land or real estate. This allows you to save on purchasing your own premises from individuals. Business incubators –from 900 sq. m.; industrial parks –from 20 thousand square meters, industrial parks –from 5 thousand sq. m. Export support centers are being created |
| Transfer for temporary use or ownership of state or municipal property | |
| Support for export-oriented small companies | |
| Creation and development of infrastructure to support small businesses | |
| Information support | |
| Information distribution system | |
| Business information exchange networks | |
| Access of small business to software products for accounting and tax reporting | |
| Organization of international exhibitions and fairs | |
| | |

| Forms and methods of the government support of small business | Notes |
|---|---|
| Consultancy support | |
| The free counseling activities. | Events are held on the basis of employment centers, Federal tax service or business development Funds. Employees of institutions are ready to answer a question of an entrepreneur regarding taxation, accounting, planning and other areas related to the interaction with government agencies Regional business development funds periodically conduct trainings and lectures. They are aimed at helping start uppers. Anyone can visit them. However, you will need to pre-register |
| Business training | |
| Training, retraining and advanced training | |
| The development of educational programs | Within the program of the Ministry of economic development includes the provision of certificates for training, the recovery of expenses for staff training, retraining and the organization of training events regarding various issues of business |
| Creating conditions for professional development | |
| Educational, methodical, scientific and methodical assistance | |

But, despite the extensive government support in the field of small business development, an entrepreneur faces a number of problems, which need to be studied in more detail. First of all, it is the instability in the application of taxation.

Problems identified while realizing the government assistance of small business

November problems of state support of small business note:

1. Methods of support of entrepreneurship, fixed in the legal acts are not implemented in practice.
2. Lack of an effective legislative framework
3. The tax burden is quite high.
4. Bureaucratization of public institutions entrusted with Supervisory functions
5. The lack of a well-developed system of business financing
6. The presence of economic problems Inflation, rising prices in all areas of production
7. A small amount issued on a Pro Bono basis, the Allocated amount is insufficient, and to get a loan for the start-up phase of the company is problematic.
8. Inefficient operation of existing structures and forms created to support small businesses a significant part of their functions remains unrealized cause is the imperfection of the business environment, especially in the field of innovation.

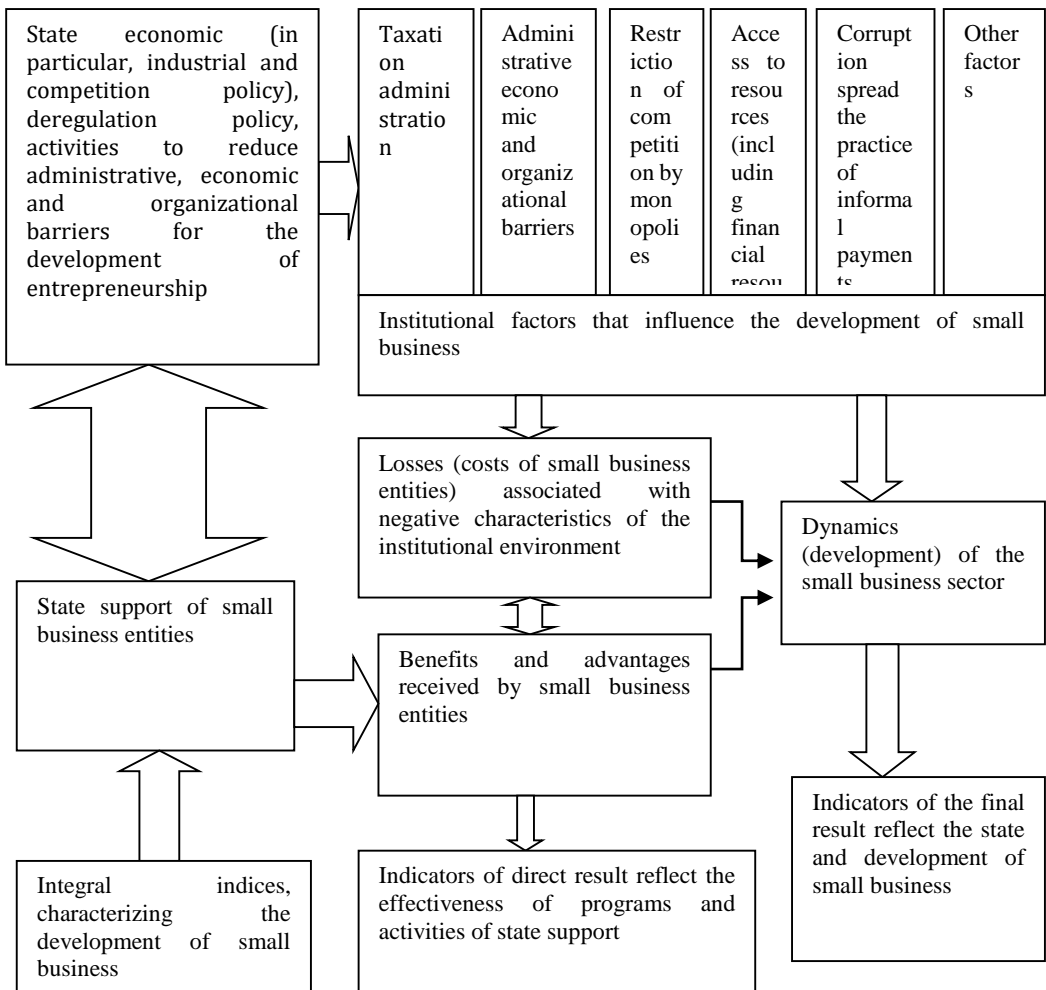


Figure 3. The mechanism of small business development

Conclusion

Summarizing the above, it can be said that the strategy for the development of small business today is a priority for the development of the economy. A special role in supporting small business is played by the state, as the development of small business will solve the problems of unemployment, increase labor productivity, saturate the market with innovative innovations, and resolve issues related to the inflationary instability of the Russian economy.

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