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## Growth Points Of Regions In The Development Of Small Business And Private Entrepreneurship

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**Abstract:** The article is devoted to the issues of assessing the impact of the administrative regulation system on the development of private entrepreneurship, especially small and medium-sized businesses. In particular, certain aspects of the negative impact of excessive state (municipal) regulation on the quality of entrepreneurship development in the region are considered. Considerable attention is paid to justifying the need to reduce the administrative burden on business as a factor contributing to the emergence of business structures from the shadows, which will give additional impetus to the development of small and medium-sized businesses in the region. During the presentation of the material, the need to reformat the work of regional authorities is argued based on the development of motivational mechanisms to stimulate the activities of officials aimed at reducing administrative pressure on business. A new approach to planning activities for the development of small and medium-sized businesses in the region is proposed, justifying the need for appropriate institutional changes.

**Key words:** small and medium-sized businesses, administrative regulation, institutional design, administrative barriers

### INTRODUCTION

Currently, issues of excessive government regulation of business activities are one of the main factors hindering the development of small and medium-sized businesses. The legal and law enforcement unsettlement of certain issues of administrative influence of government authorities on business structures leads to the fact that in the course of economic activity the business community is sometimes faced with such sophisticated methods of administrative regulation, which not only sharply increase the costs of the entrepreneur, but in some cases can lead to paralysis, and in the future - to the liquidation of the business. All this has an extremely negative impact on the quality of development of small and medium-sized businesses in the region, reduces the image and attractiveness of doing business among the economically active population, including young people, and generally has a stagnating effect on this sector of the economy. Despite the measures taken by various levels of government, businesses (especially small and medium-sized ones) continue to remain dependent on state and municipal structures. Currently state-owned. The apparatus and municipal structures have quite impressive regulatory capabilities regarding business, allowing them to influence economic entities. In such conditions, the operating environment of small and medium-sized businesses continues to remain unpredictable, which, naturally, does not give

entrepreneurs the opportunity to plan the future of their business with absolute certainty. Moreover, recent government decisions on the regulation of business activities against the backdrop of the declaration of the need to reduce the administrative burden on business are perceived as evidence of the inconsistency and even “clumsiness” of state policy in the field of small and medium-sized businesses. This is confirmed by such innovations in the field of administrative regulation as the splitting of the unified social tax into several contributions to extra-budgetary funds with a simultaneous increase in the size of the general rate, the introduction of mandatory accounting for “simplified people”, a sharp increase for individual entrepreneurs in fixed social payments to the pension fund and the compulsory medical fund insurance, extending the procedure for conducting cash transactions to individual entrepreneurs.

However, with all this, we understand that the dynamics of increasing the share of small and medium-sized businesses in the structure of the regional economy will depend on the extent to which the general logic of state (municipal) economic policy coincides with the internal needs and expectations of entrepreneurs.

Discussion. Today it is already clear that only transparent and understandable rules for doing business, based on partnerships between business and government, can provide a qualitative breakthrough in the socio-economic development of the regions. At all levels of government there is an understanding of this position and certain work is being carried out, primarily of a regulatory nature, designed to reduce the degree of contradictions between business and government. In the parameters of this work, activities aimed at creating an effective environment for interaction between government and small (medium-sized) businesses are of particular importance due to the fact that this category of economic entities, for known reasons, is least capable of protecting their interests.

The most important obstacle to business development is the low availability of personnel with the required qualifications on the labor market. This problem was named as one of the most serious by 47% of small and medium-sized companies. With a decent margin from it, in second place, is the answer “high level of taxes” (36%). The third place limiting business development is low availability of finance (noted by 22% of respondents). It is interesting that the following obstacles in the presented “anti-rating” in one way or another characterize the quality of public administration (while the leading barriers can be characterized to a greater extent as market factors). Thus, unfair competition takes 5th place: 17% of companies noted as one of the three most serious barriers to their development the situation when some companies find themselves in a privileged position. For 8% of companies, corruption is the most serious obstacle. By the way, unscrupulous officials harm business much more than, for example, criminal groups (1% of respondents named them as a serious obstacle).

Taxation issues are still the main critical parameter in the system of administrative regulation of small and medium-sized businesses. However, it is not only the high tax burden that puts serious administrative pressure on business. Formalized requirements of state regulation in various areas of business continue to have a high level of blocking effects, which in some cases puts the business activity of an entrepreneur on the brink of zero profitability. The susceptibility of businesses (especially small ones) to an increase in the administrative burden is demonstrated by the situation in which insurance premiums for individual entrepreneurs have doubled since 2013. It would seem that the tax burden increased slightly (the additional amount was about 18 thousand rubles per year), and as a result, this decision of the state actually brought down the statistics of small businesses.

This once again proves that administrative policy in the field of regulation of business activities should be balanced and quite cautious. We must understand that it is precisely the ineffective system of administrative regulation, in the conditions of the possibility of resolving issues in the informal coordinates of the “government-business” relationship, that pushes a significant part of business entities out of the sphere of legal business, forcing them to keep part of their activities in the shadows. It should be noted that the authorities still have the opportunity to supplement formal pressure on business with informal influence, for example, with the aim of creating preferential conditions for affiliated business structures. In conditions of a serious formalized burden on business and a high probability of using informal approaches to administrative regulation, a rational business strategy will, among other things, include elements of an informal agreement with the authorities. An informal agreement helps an entrepreneur to a certain extent optimize the costs that arise in the process of economic activity caused by administrative regulation to acceptable parameters. In many cases, the presence of an informal agreement between an entrepreneur and an official (group of officials) allows businessmen, when illegal activities are detected, to withdraw their business from legal influence from the state or to minimize negative consequences. However, with all this, we understand that the dynamics of increasing the share of small and medium-sized businesses in the structure of the regional economy will depend on the extent to which the general logic of state (municipal) economic policy coincides with the internal needs and expectations of entrepreneurs. Today it is already clear that only transparent and understandable rules for doing business, based on partnerships between business and government, can provide a qualitative breakthrough in the socio-economic development of the regions. At all levels of government there is an understanding of this position and certain work is being carried out, primarily of a regulatory nature, designed to reduce the degree of contradictions between business and government. In the parameters of this work, activities aimed at creating an effective environment for interaction between government and small (medium-sized) businesses are of particular importance due to the fact that this category of economic entities, for known reasons, is least capable of protecting their interests.

Research results. The most important obstacle to business development is the low availability of personnel with the required qualifications on the labor market. This problem was named as one of the most serious by 47% of small and medium-sized companies. With a decent margin from it, in second place, is the answer “high level of taxes” (36%). The third place limiting business development is low availability of finance (noted by 22% of respondents). It is interesting that the following obstacles in the presented “anti-rating” in one way or another characterize the quality of public administration (while the leading barriers can be characterized to a greater extent as market factors). Thus, unfair competition takes 5th place: 17% of companies noted as one of the three most serious barriers to their development the situation when some companies find themselves in a privileged position. For 8% of companies, corruption is the most serious obstacle. By the way, unscrupulous officials harm business much more than, for example, criminal groups (1% of respondents named them as a serious obstacle).

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The analysis shows that a high administrative burden with a low probability of detecting informal activities increases the benefits of an entrepreneur entering into an informal conspiracy, and the decision of a business entity to operate in the informal sector of the economy is influenced by the likelihood of detecting the fact of conducting informal activities and the likelihood of entering into an illegal conspiracy with an official. The low value of the first probability and the high value of the second observed in Russian business practice characterize weak administrative control on the part of state (municipal) bodies, which contributes to an increase in the informal economic activity of business entities and, as a consequence, a decrease in the social effects of the activities of the business community. It follows from this that the modern system of administrative regulation of economic activity in the regions is characterized by its inefficiency, provokes the growth of informal patterns of relations between government and business and has a blocking effect on the development of business structures operating in a legal regime.

We believe that in order to create conditions for the sustainable development of small and medium-sized businesses in the region, it is advisable to institutionally design a system of administrative regulation of business activities that would equally satisfy both the needs of business and the needs of the state. Currently, this is a serious scientific and practical problem, due to the fact that the modern business environment of Russian business is characterized by the significant role of the informal component of business relations, one way or another manifested in the established practice of interaction between government and business structures and business entities within the business community, which “is expressed in the actual dominance of informal institutions of kickback, corruption, tax evasion when resolving issues of obtaining state and municipal orders, access to industrial and utility infrastructure, and in the process of holding tenders for the sale of state property” [3]. It is necessary to take into account that in the current situation, when the majority of regional and municipal budgets are deeply in deficit, the issue of effective use of the limited financial resources of government bodies is quite acute. Despite the different targets for the functioning of government and business, we consider it advisable to introduce a budget planning mechanism, in which state (municipal) structures would calculate their expenses in various areas, including when designing institutional changes, using the methods and technologies used in calculating the financial

efficiency of business projects. In our opinion, this approach can significantly enhance the effectiveness of the program-target method of budget planning for a region or municipality, which will help improve the economic efficiency of state (municipal) expenditures.

Conclusion. Thus, thanks to the use of the proposed approach, it becomes possible to calculate the effectiveness of investing public funds in the design of an optimal model of the system of administrative regulation of the business sector. The necessary financial resources to ensure activities for the institutional design of a barrier-free (low-barrier) administrative environment for business can be provided by redirecting from individual articles of regional programs to support small and medium-sized businesses. In the future, based on the calculations carried out, it will be possible to develop and propose an economic justification for reformatting all work aimed at the development of small and medium-sized businesses in favor of creating appropriate institutional conditions for business activity in the region and municipalities.

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