



Emerging Markets Queries in Finance and Business

An Evaluation of Entrepreneurial Potential in the Republic of Tatarstan

Glebova Irina, Khamidulina Alina*

Kazan (Volga Region) Federal University, 18 Kremlyovskaya St., 420008 Kazan, Russia

Abstract

Increase in the number of small businesses and the meager effectiveness of existing support at local and regional level have led to curb the development of entrepreneurial activity. The article presents the methodological tools for assessing the effectiveness, which allows to identify existing municipalities in the advantages and disadvantages for the implementation of entrepreneurial potential, including the effectiveness of state and municipal support measures, as well as calculate the degree of progress in the implementation of entrepreneurial potential.

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Introduction. Promoting entrepreneurship in Russia has been a core objective of the public policy ever since President Medvedev voiced the objective that by 2020 60-70% of the active population of the country should be engaged in entrepreneurial activity. Today this figure is significantly smaller, so an increasing need for the qualitative development of services for business, and quantitative growth of new business entities.

According to the World Report "Global Entrepreneurship Monitor» (GEM) in 2011, in the Member States of the research project are about 400 million. Entrepreneurs, of which more than 140 million, expect to create at least 5 million new jobs in the next 5 years. Level of entrepreneurial activity (TEA) 20 most developed countries for the period from 2010 to 2011 increased by 22%, 16 developing countries (China, Argentina and

* Corresponding author. Tel.: +7-905-022-1906

E-mail address: akhamidulina@gmail.com

Chile) - 25%. In the Russian Federation (RF) entrepreneurial activity in the presence of positive dynamics is characterized by a low level and pace. Thus, if the average index of overall business activity is 4.8 - 5.2%, then by region its value ranges from 1.2% to 10%. The most difficult is the state of the business sector in the regions where a small number of "potential" or "nascent" entrepreneurs.

State-developed countries consider SMEs a foundational element of economic policy. In this case, big business does not exist in opposition to small business, and the two work in concert. The development of entrepreneurship has important benefits, both economically and socially. The Report of the European Commission of 2012 states that entrepreneurship is not only a driving force for job creation, competition, and growth; but also contributes to personal fulfillment and the achieve of social objectives. As such, the social and economic development of the country hinges on the development of small-scale entrepreneurship. The domination of large enterprises serves as evidence of the necessity to consider state intervention to spur the development of small businesses. Currently, the bulk of the attention on the development of business is at the level of local regions.

Republic of Tatarstan, according to the magazine Forbes, heads the list of the top 30 regions in Russia for business. Tatarstan is one of the regions most attractive to investors in Russia, and among the top ten in the number of small and medium-sized businesses. There are various elements of business support infrastructure - technology parks, business incubators, industrial parks and playgrounds, cluster development centers and others. And what is important - not only in cities but also in areas of the Republic. In this case, the occupancy rate of technology parks and business incubators today is almost 100% - entrepreneurs actively utilize the opportunities available to them, including the business infrastructure support offered by the government of Tatarstan.

However, the statistics and the results of sociological studies show that the entrepreneurial potential of the economy of the Tatarstan is far from being fully utilized. Today, small and medium business in Tatarstan has more than 140 thousand business entities, which employs about 500 thousand people. Meanwhile, studies show that the business would like to have a significantly greater number of citizens of the republic, and more than a quarter of them (28.6%) - on a permanent professional basis. However, more than half of the respondents (51.4%) reported that they do not have the opportunity to practice their profession as an entrepreneurial activity.

According to the Ministry of Economy of the Republic of Tatarstan, the rate of growth in the number of small enterprises amounted to 103% with respect to 2012, the number of medium-sized enterprises remained at the same level, and the growing number of entrepreneurs was 81%. Reduction of the latter figure was mainly due to the increase in the size of contributions to social funds. For the above figures for the last 3 years of stable growth is, however, a significant effect (growth) in the share of business in the gross regional product of RT is not observed (GRP RT).

In developed countries such as USA, Japan, Canada, Germany, the share of small enterprises in the economy is 97 - 99 percent, and only 1 - 2 percent is attributed to large holdings. Share in GDP is on average 50 percent. In addition the SMEs involve a high percentage of overseas investments. Direct foreign investments are an important factor to intensify territorial development, because in addition to increasing the GRP, they contribute to the growth of the regional local investments (by Hejazi, W. and P. Pauly, 2003)

In Tatarstan, the index of the share of small and medium-sized businesses in the GRP is only 27%. GRP RT consists mainly of the large businesses of the real* sector of the economy (mining and industry). The manufacturing sector does not dominate among small and medium-sized business. In 2011, the turnover of organizations involved in any type of business was 23.3%. Greatest contribution to the turnover made small and medium-sized enterprises operating in the wholesale and retail trade (46.6%), construction (19.6%), in the area of operations with real estate, renting and business services (11.5%) and only 10.6% in the manufacturing sector. In this regard, for the past few years, all the main directions and measures of state support of entrepreneurship focused on the development, namely, the production sector.

Table 1. Levers and tools for action and regulation of business activity in the region

Methods of direct action	Methods of indirect actions.
Regional order	Price limit
Preferential taxation	Customs tariffs
Concessional lending	Lobbying for the interests of the region
Warranty administration	Federal investments and leasing
Grants and interest-free loans	The state order
Compensation	Fiscal policy
Accelerated depreciation	
Examination and Licensing	
Preferential regional legislation	
Antitrust policy	
LLeasing policy	
Training and consulting services	
Competitive bidding	
Restructuring of trading and payments	
The bankruptcy procedure	

One of the most painful problem of SMEs is limited financial resources or the lack of access to them. The major source of investment for small businesses still is private resources and family loans. Today it is not enough for the further development of small businesses (there are obtained profits, depreciation, fixed assets, too). The most thorny question is a lending companies which still have not a positive reputation and real assets. These companies can't guarantee to the return of the borrowed funds to the investor. A change in the place and role of the state in this process is a prominent feature of creating an efficient financial system at this point. Earlier the state was seen as the main source of funding for such support, but now it has to open up schemes and institutions for development. The main methods of influence on entrepreneurial activity at the regional level are shown in Tab.1.

The main problems in the regions of Russia in general and in the Republic of Tatarstan in particular are (ranked in descending Relevance – the first problem can be solved at the municipal - regional level, then the problems that can be solved only at the federal or inter-regional level, or it is impossible at this stage of development):

- The unavailability or high cost of resources: the cost of construction, equipment, connectivity
- Problems of access to affordable financing (unfavorable)
- The lack of qualified staff
- The lack of information and legal support
- The lack of an integrated approach of the state support for different development stages of companies (micro – small – medium)
 - The lack of a differentiated approach to SME companies of all sizes (selective support measures): micro-business (grants, training, business incubators); small (subsidies, innovation, equipment, resources); medium (here is possible support only innovation, the manufacturing sector) and different fields of activity (industrial, rural business innovation)
 - Administrative barriers and difficulties, long-term registration of all necessary permits and approvals
 - The high level of corruption and inequitable distribution of resources and demands, therefore, the unfair competition

- The inequality in the face of the law of all market participants, changing and the contradictory legislation
- The state policy does not stimulate researches and development business in the production and deep processing. It does not stimulate the growth of official wages fund, too
- The monopolization of industries (in particular, trade, energy), and unlimited high growth rates for energy resources (fuel, electricity and obtaining additional capacity)
- The unstable economic situation does not promote the beginning of investment projects

Basic measures to support SMEs in 2011-2013 were granting of preferential loan, providing guarantees to small and medium-sized businesses by Guarantee Fund of Tatarstan, the program "Leasing-Grand" (subsidizing the cost of the lease agreement), the provision of financial assistance in establishing own business, grants for the farms development, the partial compensation for tuition, legal and information support of business.

Regular events hold training of entrepreneurs and their employees to improve the human resource capacity of the business in Tatarstan. They include both the direct training and various types of seminars, meetings, meetings of the "round table" gallery with the invitation of the state structure representatives from the republican and federal level and prominent members of the business community, business coaches. The program "Virtual University Entrepreneurs" is an educational site on entrepreneurship. It brings together all universities and consulting firms engaged in this specificity as operators.

Human capital density measures the share of highly-qualified individuals in the regional labor force. A high human capital density may be seen as an indicator that a region is rich in knowledge. There is extensive empirical evidence for a positive relationship between regional human capital and entrepreneurial activities (e.g. Bates, 1990) So the interaction of the business community with the universities is one of the key conditions for the realization of entrepreneurial potential. Moreover, as formal entrepreneurship education was found to have a motivating rather than a qualifying impact it should be complemented by internships and on-the-job training (The Interplay between Entrepreneurship Education and Regional Knowledge Potential in Forming Entrepreneurial Intentions).

Methodological framework. The business indexes have been calculated in the municipal districts (MD) to evaluate realizing the business potential of the Tatarstan Republic. These indexes are estimated using relative indicators such as the number of SMEs per 10 thousands persons, amount of products per 1 company, and others. It let us to compare data and evaluate the business activity of all MP, regardless of their sizes. The present work is based on using only the official statistics, excluding the effect of business impact of unresolved elements of work (underground economy).

The Tab.2 shows metrics for calculating the business activity of municipalities of the Republic of Tatarstan.

Table 2. The indicators included in the composite index of business activity

Parameters for calculating the index of business activity	The weight of factor.
Number of economically active SMEs per 10,000 population MR RT (total growth of over 5 years)	0.3
Number of jobs per enterprise (total growth of over 5 years)	0.2
Revenue from sale of goods (works, services) for 1 company (the total increase over 5 years)	0.2
The volume of investments by an average of 1 company (total growth of over 5 years)	0.3

An index is calculated by the formula (1).

$$BA = \sum [X_i * P_i] \tag{1}$$

where BA - the total weighted assessment of business activity of a particular municipality (index);
 X (i) - the total numerical score of the i-th factor for the municipality;

$P(i)$ - i -th weight factor.

The results vary from 0 to 1, where 1 is the best practice. Results of calculation are grouped by six economic zones (Tab. 3), which allowed to identify the most developed areas of the country.

In the whole country during the analyzed period is marked increase in the number of economically active small businesses, with a minimal increase in production of goods and services per facility. Quantitative growth has not led to an increase in the share of "manufacturing industries." A marked reduction in the number of medium-sized enterprises, accompanied by an increase in turnover, including one company at the same time revealed a decrease overall investment activity of medium-sized enterprises questioned the increase in business activity in the following period. The totality of the established indicators of municipalities of the Republic of Tatarstan conditionally divided into 3 groups with high (BA index > 0.45), medium (0.38 < BA index < 0.44), and low activity (BA index < 0.38). The group with high business activity attributed 13 municipal districts, 17 - to a group with an average of business activity, and 15 - the group with low business activity.

Table 3. Business Activity Index

Kazan agglomeration	Index of business activity	Predvolzhskaya economic zone	Index of business activity
Vysokogorsky MD	0.31	Kamsko-Ustynsky MD	0.31
Kazan city	0.34	Buinsky MD	0.35
Verkhneuslonsky MD	0.38	Tetyushsky MD	0.4
Atminsky MD	0.42	Drojanovsky MD	0.41
Pestrechinsky MD	0.45	Apastovsky MD	0.48
Zelenodolsky MD	0.48	Kaybitsky MD	0.23
Laishevsky MD	0.5		
Predkamsky economic zone	Index of business activity	Zakamskaya economic zone	Index of business activity
Arsky MD	0.35	Aksubaevsky MD	0.36
Rybno-Slobodskoy MD	0.36	Chistopoksky MD	0.38
Kukmorsky MD	0.38	Nurlatsky MD	0.38
Tyulachinsky MD	0.44	Novosheshminsky MD	0.39
Baltasinsky MD	0.47	Alkeevsky MD	0.41
Mamadyshsky MD	0.52	Alekseevsky MD	0.43
Sabinsky MD	0.56	Spassky MD	0.5
Naberezhnochelninskaya agglomeration	Index of business activity	Yugovostochnaya economic zone	Index of business activity
Agriksky MD	0.26	Sarmanovsky MD	0.09
Mendelevsky MD	0.27	Bavlinsky MD	0.34
Menzelinsky MD	0.34	Yutazinsky MD	0.34
Zainsky MD	0.34	Aznakaevsky MD	0.38
Naberezhny Chekny city	0.38	Leninogorsky MD	0.4
Nizhnekamsky MD	0.43	CheremshanskyMD	0.44
Musulomovsky MD	0.44	BugulminskyMD	0.48
Elabyzhsky MD	0.46	Almeyerovsky MD	0.49
Tukaevsky MD	0.48		
Aktanyshsky MD	0.50		

Conclusions. The role of public support evident in the municipal districts of the Republic of Tatarstan, but there are areas that showed minimal activity with a significant amount of state support. In the process of monitoring manifested question of lack of information in the public space of the results of independent studies on the effectiveness of public support for SMEs. A slowdown in the development of entrepreneurship and the quality has been adversely affected insufficient focus management (at all levels) for technological innovations to modernize and blurring policy priorities in support of SMEs.

According to this study, small and medium business is actively developed in areas traditionally being

subsidized. In terms of state support for SMEs is the leader Kazan - more than 80% of all funds allocated for this activity in the country. Next come Naberezhnye Chelny, Tukaevsky and Sabinsry MD. In addition, attention is drawn to the following trend: the largest volumes of state prepared areas with high and medium business activity. Least of all was the Kamsko-Ustynsky MD - 400 thousand. Rubles for these five years.

Support for SMEs in the Republic of Tatarstan in 2010-2013 was carried out with a clear bias towards infrastructure: 66% of the costs (for comparison, in the Republic of Bashkortostan - 18%, the rest - direct financial support). In addition, in this period there were no municipal programs of business support, which did not allow to fully realize the business potential. In Tatarstan, despite the high level of inter-municipal differentiation in the development of small and medium businesses, municipal co-financing programs available.

Summarizing, we can say that the problem areas of support of SMEs in Tatarstan are irrational, and lack of support structure (preponderance towards infrastructure), lack of municipal funding programs absence of some of the institutions of SMEs lack of a number of effective measures to support. The business climate in almost all municipalities have significant potential to improve and opportunities to use other benefits for enterprise development. According Ulesov, Safiullin et al., due to lack of funding, many structures provide services in the free market prices are not available for small businesses. There is a deformation of infrastructures to support small businesses as a result of the lack of financial and resource assistance and improper personnel policy.

Incomplete implementation of entrepreneurial potential in Republic, as well as the existing problems in the field of SME support identified the need for change in the approach to the solution of these problems. To date, in the Republic of Tatarstan adopted the "Roadmap" development of small and medium-sized businesses in the 2014-2016 ", in the preparation of which take into account the experience of developed countries and regions of the Russian Federation. The main goal of this project was to identify and create a balanced system of interaction between business community and state enforcement authorities in the assessment of the formation, development and protection of the environment conducive to the sustainable development of small and medium-sized enterprises in the Republic of Tatarstan.

"Roadmap" provides for the implementation of such areas of business support in the Republic of Tatarstan, as:

- Improving the performance of local authorities in the development of small and medium-sized businesses
- Increase the availability of financial resources in the sector of small and medium-sized businesses
- Support budding business entities
- Promotion of entrepreneurship and involvement of the economically active population in the business
- Creating, developing and improving the efficiency of infrastructure to support small and medium-sized businesses
- Develop human resource capacity of small and medium-sized businesses
- Promotion of innovation activity of small and medium-sized businesses
- Increase the availability of energy resources for the sector of small and medium-sized businesses
- Strengthening the market position of small and medium-sized businesses at the intraregional, interregional and international markets
- Information and advisory support to small and medium-sized businesses
- Reducing the tax burden of small and medium-sized enterprises and optimizing the allocation of tax revenues from economic activity over the levels of the budget system

An important step to improve the system of state and municipal support entrepreneurship in the Republic of Tatarstan was the inclusion of the core indicators to measure the effectiveness of local government indicators to evaluate the development of small and medium-sized enterprises and ensuring the development of municipal enterprise development programs for the period 2014-2016 years.

It should be noted that a major breakthrough in share of small and medium-sized businesses is important to the whole ecosystem. Speaking of small and medium business, we mean financial support in the form of grants and subsidies, as well as infrastructure and consulting. In addition, the development of a network of industrial

sites at the municipal level, the work of the Guarantee Fund, the Center for Export Support, Development Corporation RT contribute to the development of entrepreneurship.

In this study, we examined only quantitative indicators, which is a significant limitation of work. Further work on this topic involves a qualitative research with expertise and extensive content analysis.

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