

## Methodology for Assessing the Work of Small Business at the Municipal Level



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**Abstract.** In order to promote sustainable socio-economic development in a municipality, its local authorities face the task of establishing an industrial and financial base on their territory, it will help increase its level of economic independence. On the basis of foreign experience and domestic research on territorial development it can be concluded that one of the most effective ways to enhance the level of socio-economic development of the municipality is to boost its small business. Effective management of this economic sector requires adequate assessment of its functioning at the municipal level. The analysis of existing methodologies for assessing the functioning of small business at the municipal level shows that none of them meets the criteria that the author of the present paper has selected and that are necessary for efficient research into the small business sector. In this regard, a methodology for estimating the work of small business at the municipal level was elaborated, and tested on the statistic data of municipal formations of the Vologda Oblast. The study reveals municipalities with the highest and lowest levels of small business development. In addition, municipalities were grouped in three blocks that represent different characteristics of their functioning. Taking into account the problems of business subjects, the study has developed measures to increase the level of development for each group of municipalities. Implementing these activities will help intensify the work of the sector of the economy under consideration, and increase the economic independence of territorial formations in the region. The paper can be used to assess the effectiveness of activities aimed to support small business in the region and to help regional and municipal authorities to work out a strategy for further development of this economic sector.

**Key words:** small business; business; municipal formation; typological classification, assessment of functioning.

Local government is one of the main civil society institutions which enables people to participate, at the closest lowest level, in state administration, independently solving the issues of local significance [6]. The main objective of local government is to ensure sustainable socio-economic development of the territory [17, p. 29]. Among the ways to achieving this goal is the formation by local government bodies of an in-house industrial and financial base that would provide an opportunity to increase the level of economic independence. Critical analysis of works of analysts such as N.V. Tarasenko, A.Yu. Chepurenskiy, E.G. Taran, A.O. Blinov, D.V. Filippov, S.E. Reiter, etc. [9], has revealed that development management of small businesses and creating conditions for the activation of their activities contribute to efficient achievement of the target goal [4; 8; 12; 13; 15].

Small business is a mass phenomenon implying specific activity of small units, mostly sole proprietors, in a competitive environment for the purpose of finding the most effective solutions in the field of the combination of economic, labor and other types of resources on an innovative, risk and legislative basis in order to make a profit [9]. Small business is an independent sector of market economy, which satisfies basic needs of the national economy [19, p. 14]. The development of small business is currently treated as an important mechanism of diversification of the economy at the

federal, regional and municipal level. Small business predetermines accelerated economic growth, promotes local markets development and saturation, allowing at the same time to compensate for market economy costs (unemployment, market fluctuations, and crises developments) [5; 7; 14].

The purpose of this article is to study the category of small business and to evaluate its performance at the municipal level, aimed at revealing the main trends and problems of its development. To achieve the above-mentioned purpose the following *objectives* are set:

- study methodological approaches to the small business performance evaluation at the municipal level;
- develop the methodology of small business performance evaluation at the municipal level;
- evaluate the developed methodology of small business performance evaluation on the data of municipal units of the Vologda Oblast;
- elaborate a system of recommendations on the use of various measures of support and development of small businesses at the municipal level, taking into account existing problems and needs.

It should be noted that government authorities are developing new programs and bills aimed at encouraging small business development. However, there are no approved methods of performance

evaluation of small business entities in the municipalities and the scientific and analytical support of state administration bodies is not sufficient. All of the above determines the scientific rationale behind the study.

According to the conducted critical analysis of methodical approaches to small business performance evaluation of at the municipal level [9] it is clear that they differ from each other in the task composition, the set of indicators and in the method of calculation and reduction to a common value. Each of the approaches addresses its own specific objectives and has advantages and disadvantages, which, in their turn, are often reflected in complexity and quality of the submitted evaluation.

In order to compare the investigated methods of interest their main evaluation criteria have been identified:

- rating according to partial incises (comparative analysis of homogeneous indices);
- calculation of an integrated index (reduction of the investigated parameters to a common value);
- classification of municipal bodies according to the main small business performance indices (the identification of the main clusters of municipal bodies with similar small business performance indices);
- visual display of the obtained results (the results must describe the object under study and must be easily interpreted);

- the use of relative indices (the study of municipal bodies with the use comparable indices);

- simple calculation methods (the calculations must be simple and clear).

According to the results of comparative analysis, none of the existing methods satisfies the criteria. Therefore, we have developed a small business performance evaluation methodology at the municipal level which meets all the criteria required for effective analysis of the sector of small business.

The offered method is based on calculating integral indices according to the three blocks of indices which characterize small business performance and provides the basis for the classification of municipal units. The algorithm of analysis involves five stages.

The *first stage*, based on the studied methodological approaches to small business performance evaluation at the municipal level, revealed that the system of partial indices must include the implementation of the following basic principles:

- complex evaluation that ensures the selection of the indicators which mostly characterize the social and economic situation of the region;
- systematic evaluation aimed at identifying the correlation between individual indices;
- the relevance of the system of indices to regional development trends;

– a system of indicators adapted to the capabilities of the existing statistical database;

– maximized informational content of the results in order to making managerial decisions [1; 2; 3; 7; 11; 16; 18; 20].

Supported by these principles, a number of significant indices, which best characterize small business activities in a municipal unit, has been selected.

The analysis of the researches of E.E. Kolchinskaya, N.N. Petrenko, D.V. Filippov, S.B. Trofimov and the published materials of the Federal State Statistics Service has helped identify three groups of indices which reflect small business performance at the municipal level (*tab. 1*).

The identification of main groups of criteria identified key indices of small business performance evaluation in a municipal unit.

They are the following:

1. A number of small businesses per thousand people of a municipal unit. This index describes the density of small business units in the territory of a municipality with the population of the region taken into account.

2. A share of municipal unit population, employed in a small business sector, in the total number of the employed. Quantitative index reflecting the involvement of the municipality population in a small business sector.

3. Average sales, service and works revenue (excluding VAT, excise duties and other obligatory payments) of small business unit of the municipality (in comparable prices of 2014). Reflects the amount of money or other amenities, received on average by one small business of a municipal unit.

Table 1. Small business performance indices at the municipal level\*

Group	Index
1. Indices of small business units incidence in the territory of a municipal unit	Number of small business units per 1000 people of a municipal unit, units/1000 people.
	Share of municipal unit population, employed in a small business sector, in the total number of the employed, %
2. Indices of the scale of doing business in the territory of a municipal unit **	Average sales, service and works revenue (excluding VAT, excise duties and other obligatory payments) of one municipal small business unit (in comparable prices of 2014), thousand rubles/unit.
	Average property value of one municipal small business unit (in comparable prices of 2014), thousand rubles/unit.
3. Indices of financial efficiency of doing business in the territory of a municipal unit	Profitability (unprofitability) level of sold goods, services and works субъектов of one municipal small business unit, %
	Current liquidity ratio of municipal small business units, %
* Compiled by the author.	
** The scale of doing business in the territory of a municipal unit is understood by the author of the article to be a group of indices characterizing the scale of entrepreneurial activity performed by the subjects of small business. Territorial characteristics are not taken into account in the presented category.	

4. Average property value of one small business of the municipality (in comparable prices of 2014). Reflects the average cost of fixed assets available to small businesses.

5. Profitability (unprofitability) level of sold goods, works, services of small business units of the municipality. Reflects the relation between the value of the balanced financial result (profit minus loss) from goods, works and services sales and the cost value of sold goods, works and services.

6. Current liquidity ratio of municipal small business units. Characterizes organization's financial solvency. Calculated as a ratio of actual cost of current organization's assets to organization's short-term liabilities in the form of short-term credits and loans and payables.

The presented indices are based on the available official statistical information and form a list and index blocks which reflect various which reflect various aspects of small business performance at the municipal level.

The *second stage* is the calculation of standardized rates from the selected list of indices in order to bring them a comparable form. The standardized ratio for direct and reverse indices, the increasing values of which indicate positive and negative trends respectively, is calculated by the following formulas:

$$k_{\text{прям.}} = \frac{x_i - \min(x)}{\max(x) - \min(x)} \cdot N, \quad (1)$$

$$k_{\text{reversed}} = \frac{\max(x) - x_i}{\max(x) - \min(x)} \cdot N, \quad (2)$$

where  $x_i$  – the value of a partial index in a particular region;

$\max(x)$  – the maximum index value among the entire set of the objects under study;

$\min(x)$  – the minimum index value among the entire set of the objects under study;

$N$  – scale ratio ( $N = 1$ )<sup>1</sup>.

The *third stage* is the calculation of the status index of all three of the identified blocks which characterize small business performance. This represents an arithmetical average of standardized ratios of each index group:

$$I = \frac{\sum_{i=1}^n k_i}{n}, \quad (3)$$

where  $k_i$  – standardized ratio;

$n$  – number of parameters in a selected block.

At the *fourth stage*, an overall integral index is formed which characterizes the state of the analyzed systems of municipal units. It is calculated by the formula (3), with the replacement of standardized ratios with integral indices for each block, which characterize small business performance in the territory of a municipal unit.

<sup>1</sup> The presented ratio determines the specified interval of possible integral index values. In this article,  $N=1$ , thus  $k$  can assume values in the interval from 0 to 1. Scale ratio can be changed by the researcher if desired depending on the need for data interpretation.

Having in view the need of public and administrative authorities for the compilation of the overall rating of municipalities by level of small business performance, it is advisable to classify the municipalities under study. In order to analyze the calculated indices and divide territorial units into groups with different levels of small business performance it is necessary to calculate the deviation of the index under study ( $d$ ). This deviation is calculated by the formula:

$$d_i = \left( x_i / \bar{x} - 1 \right) \cdot 100\%, \quad (4)$$

where  $d_i$  – deviation of the integral index of small business performance at the municipal level;

$x_i$  – integral index of small business performance at the municipal level;

$\bar{x}$  – integral index average value of small business performance at the municipal level.

According to the approach implemented in the classification process, five groups of municipal units with different levels of small business performance are formed. The level of small business performance depends on value variations of calculated deviation from the average integral index of small business performance ( $d$ ):

High level – the index value is more than 30%.

Upper-middle level – the index value is in the interval from 10 to 30%.

Middle level – the index value is in the interval from -10 to 10%.

Lower-middle level – the index value is in the range from -30 to -10%.

Low level – the index value is lower than -30%.

The *fifth stage* presents a classification of municipal units of the region into three blocks of integral index of small business performance. By means of distribution of index calculation data referred to average integral index of all three blocks it is possible to divide all municipal units into 8 groups (*tab. 2*). Using a mathematical method of classification, presented above, will allow us to conduct the most detailed analysis of current trends in small business performance, yet it will complicate the developed methodological approach, thus challenging the fulfillment of one of the requirements to the evaluation method (the simplicity of calculations).

The following classification will provide an opportunity to identify weak and strong points of small business development in selected municipal units, which is necessary for further elaboration of measures and their implementation aimed at effective entrepreneurship promotion.

The developed method allows us to perform a complex assessment of small business performance taking into account various factors in its activities. The use of the method makes it possible to define, to a high degree of scientific validation, specific measures (mechanisms), resources and directions of their use for support and development of small business of municipal

Table 2. Characteristics of groups of municipal units of the region\*

Group	Small business incidence		Scale of small business		Small business financial productivity	
	High	Low	High	Low	High	Low
I	+		+		+	
II		+	+		+	
III	+			+	+	
IV		+		+	+	
V	+		+			+
VI		+	+			+
VII	+			+		+
VIII		+		+		+

\* Compiled by the author.

units, which, in its turn, will ensure the implementation in a region of a balanced and reasonable socio-economic policy of its development.

The approbation of the method has been conducted based on the materials of municipal units of the Vologda Oblast. The empirical base of the study is presented by economic and statistical materials of the Federal State Statistics Service, which characterize the development of small business of the region in 2009–2014.

After calculating the composite index of small business performance in municipal units of the region it becomes possible to evaluate the development trends of a specific municipal unit by making a relevant ranking list (*tab. 3*). Taking into account the high dispersion of indices of small business performance, in order to estimate its performance level in the territory the following study uses average values of integral index in 2009 – 2011 and 2012–

2014. According to the analysis data of these time periods, there have been rapid changes in small business performance indices due to the influence of external factors: the global financial crisis, the adoption of new legislative acts regulating the activities of the studied sector of economy, the rise in insurance payments for small business units and others [7, p. 87]. It is possible to conduct the study of performance level for each year of the period; however, the study does not pursue a goal of analyzing the rankings dynamics of municipal units by the criterion presented in the article.

The leading municipal units in the represented ranking list in 2009–2014 are and Tarnogsky District, Chagodoshchensky District and the cities of Cherepovets and Vologda, which demonstrate a high level of small business performance. At the same time 10 municipal units (about 36%) have a low and middle-low performance level and half of them (14 units) demonstrate negative

Table 3. Average value of integral small business performance index of the Vologda Oblast in 2009–2014\*

Average integral index value by municipal unit				Deviation from integral index value by all municipal units, %			
Municipal unit (district, city)	2009–2011	2012–2014	Deviation, %	Municipal unit (district, city)	2009–2011	2012–2014	Deviation, %
Tarnogsky District	0.39	0.38	97.69	Tarnogsky District	88.67	52.08	-36.59
Cherepovets	0.30	0.37	123.58	Cherepovets	45.45	48.31	2.86
Vologda	0.27	0.37	138.06	Vologda	29.32	47.32	18.00
Chagodoshchensky District	0.27	0.32	119.56	Chagodoshchensky District	31.05	29.29	-1.77
Ust-Kubinsky District	0.22	0.30	135.98	Ust-Kubinsky District	7.65	20.78	13.13
Kichmengsko-Gorodetsky District	0.23	0.29	127.96	Kichmengsko-Gorodetsky District	10.41	16.57	6.16
Velikoustyugsky District	0.25	0.28	112.12	Velikoustyugsky District	20.25	11.25	-9.01
Babushkinsky District	0.28	0.26	92.40	Babushkinsky District	37.75	5.02	-32.72
Nyuksensky District	0.18	0.26	142.60	Nyuksensky District	-11.85	3.72	15.57
Cherepovetsky District	0.21	0.26	121.30	Cherepovetsky District	2.42	2.51	0.09
Babayevsky District	0.31	0.25	81.81	Babayevsky District	49.52	0.93	-48.59
Mezhdurechensky District	0.17	0.25	145.96	Mezhdurechensky District	-17.73	-0.92	16.81
Ustyuzhensky District	0.23	0.25	108.39	Ustyuzhensky District	10.10	-1.53	-11.63
Kharovsky District	0.23	0.24	104.35	Kharovsky District	12.89	-2.79	-15.69
Vashkinsky District	0.20	0.24	118.40	Vashkinsky District	-2.55	-4.80	-2.25
Nikolsky District	0.18	0.24	130.03	Nikolsky District	-11.77	-5.34	6.43
Kirillovsky District	0.06	0.23	414.63	Kirillovsky District	-73.19	-8.27	64.92
Kaduysky District	0.22	0.23	104.87	Kaduysky District	5.93	-8.34	-14.27
Syamzhensky District	0.19	0.22	120.96	Syamzhensky District	-10.10	-10.28	-0.17
Belozersky District	0.19	0.22	117.52	Belozersky District	-9.86	-12.59	-2.73
Verkhovazhsky District	0.16	0.21	135.79	Verkhovazhsky District	-24.31	-15.20	9.12
Sokolsky District	0.13	0.21	162.73	Sokolsky District	-37.52	-16.10	21.41
Vozhegodsky District	0.14	0.21	144.75	Vozhegodsky District	-31.10	-17.71	13.39
Sheksninsky District	0.19	0.20	107.15	Sheksninsky District	-9.14	-19.67	-10.53
Vytegorsky District	0.20	0.19	95.63	Vytegorsky District	-3.13	-23.56	-20.43
Gryazovetsky District	0.15	0.19	126.85	Gryazovetsky District	-28.70	-25.37	3.33
Vologodsky District	0.18	0.19	105.65	Vologodsky District	-15.03	-25.93	-10.90
Totemsky District	0.07	0.15	212.55	Totemsky District	-65.43	-39.38	26.05

\* Compiled by the author.

Table 4. Classification of municipal units of the Vologda Oblast by level of small business performance\*

High level	Upper-middle level	Middle level	Lower-middle level	Low level
<i>2009–2011</i>				
Tarnogsky District	Vologda	Ust-Kubinsky District	Syamzhensky District	Vozhegodsky District
Babayevsky District	Velikoustyugsky District	Kaduysky District	Nikolsky District	Sokolsky District
Cherepovets	Kharovsky District	Cherepovetsky District	Nyuksensky District	Totemsky District
Babushkinsky District	Kichmengsko-Gorodetsky District	Vashkinsky District	Vologodsky District	Kirillovsky District
Chagodoshchensky District	Ustyuzhensky District	Vytegorsky District	Mezhdurechensky District	
		Sheksninsky District	Verkhovazhsky District	
		Belozersky District	Gryazovetsky District	
<i>2012–2014</i>				
Tarnogsky District	Chagodoshchensky District	Babushkinsky District	Syamzhensky District	Totemsky District
Cherepovets	Ust-Kubinsky District	Nyuksensky District	Belozersky District	
Vologda	Kichmengsko-Gorodetsky District	Cherepovetsky District	Verkhovazhsky District	
	Velikoustyugsky District	Babayevsky District	Sokolsky District	
		Mezhdurechensky District	Vozhegodsky District	
		Ustyuzhensky District	Sheksninsky District	
		Kharovsky District	Vytegorsky District	
		Vashkinsky District	Gryazovetsky District	
		Nikolsky District	Vologodsky District	
		Kirillovsky District		
		Kaduysky District		
* Compiled by the author.				

dynamics of this index. The transition to a group of a lower level was performed by only 8 municipal units (*tab. 4*).

In the course of analysis of deviation from average integral index value for the period under study the main groups of municipal units have been identified, ranging by the level of small business

performance. The analysis has also enables a more detailed consideration of the index dynamics taking into account the overall dynamics trend of the region. That leads to a conclusion that in the territory of the Vologda Oblast a disparity reduction between municipal units by level of small business performance.

In order to determine the main problems which have the greatest impact on small business performance, it is necessary to classify municipal units into three blocks of small business integral index. The implementation of this classification has helped identify the main characteristics of small business performance in each municipal unit (*tab. 5*). The study of individual groups of indices of their performance allows us to conclude that negative factors to a greater extent affect financial efficiency of small business units' activity.

Nowadays, in most districts of the Vologda Oblast, namely in Verkhovazhsky, Vozhegodsky, Vologodsky, Vytegorsky, Gryazovetsky, Kirillovsky, Nikolsky, Nyuksensky, Sokolsky, Syamzhensky, Totemsky, Ust-Kubinsky and Sheksninsky districts and in the cities of Vologda and Cherepovets low prevalence of small business is observed. The main measures in this area, in our opinion, should be aimed at the formation of the acceleration of quality growth and development of small businesses. Such system is related to active promotion of their activities and the need for a dialogue

Table 5. Classification of municipal units of the region by three blocks of integral small business performance indices \*

Groups of municipal units	Municipal units (district, city)
<i>2009–2011</i>	
I	Kaduysky, Chagodoshchensky
II	Cherepovets, Sheksninsky, Vytegorsky
III	Kichmengsko-Gorodetsky, Tarnogsky, Kharovsky districts
IV	Babayevsky, Babushkinsky, Belozersky, Velikoustyugsky, Nikolsky, Nyuksensky, Syamzhensky districts
V	Ustyuzhensky District
VI	Vologda, Gryazovetsky, Ust-Kubinsky districts
VII	Vashkinsky Mezhdurechensky, Cherepovetsky districts
VIII	Verkhovazhsky, Vozhegodsky, Vologodsky, Kirillovsky, Sokolsky, Totemsky districts
<i>2012–2014</i>	
I	Chagodoshchensky District
II	–
III	Babayevsky, Kichmengsko-Gorodetsky, Mezhdurechensky, Nyuksensky, Tarnogsky, Kharovsky districts
IV	Belozersky, Vozhegodsky, Kirillovsky, Nikolsky, Sokolsky, Syamzhensky, Ust-Kubinsky districts
V	–
VI	Vologda, Cherepovets; Sheksninsky districts
VII	Babushkinsky, Vashkinsky, Velikoustyugsky, Verkhovazhsky, Kaduysky, Ustyuzhensky, Cherepovetsky districts
VIII	Vologodsky, Vytegorsky, Gryazovetsky, Totemsky districts
* Compiled by the author.	

between government and business in order to reveal its specific problems and to ease administrative barriers.

The decreasing level of small business performance in districts such as Babushkinsky, Verkhovazhsky and Sheksninsky is explained by the deteriorating financial efficiency of small businesses activity. Along with this, Vytegorsky, Gryazovetsky, Kaduysky, Ust-Kubinsky and Ustyuzhensky districts demonstrate a reducing scale of doing business. Thus the municipalities of the Vologda Oblast, experiencing problems of different nature, require differentiated ways of small business support.

In our opinion, it is useful to determinate the orientation of small business to a particular sector in each municipal unit in order to specify the existing problems. For this reason a relative index of the prevalence of small businesses in each sector in respect of the population of a municipal unit has been calculated (*tab. 6*).

According to the analysis results, for urban districts of the region the most common are enterprises of bulk and retail sales, as well as organizations that provide services related to rental of premises and real estate transactions. This fact is explained by a large number of bulk warehouses supplying both the city and other municipal units of the region, and a number of industrial premises and offices for large and medium-sized enterprises and their representative offices.

In the territory of Chagodoshchensky District, major enterprises such as “Smerdomskii Steklozavod” OJSC, “Chagodoshchenskii Steklozavod and Co” LLC and others are functioning. The availability of a federal road and the remoteness from regional centers explain the leading positions of small enterprises providing transport service in the ranking list of small business prevalence. Thus, the key priority areas of small business activity are referred to the maintenance of large and medium-sized enterprises of the district.

The highest concentration of small manufacturing enterprises is observed in Tarnogsky District. However, their number has been reducing during the whole period under study. Logging is their area of priority.

Thus the analysis of small enterprises performance in the territory of municipal units has shown that for their development it is necessary to take into account their sectoral focus as well as the presence of medium- and large-scale enterprises.

While a specific sectoral focus or the resources necessary for the development of small business in municipal units are absent, a system of support measures should be used, which would take into account the problems of small enterprises. For groups of municipal units with low index values by specific blocks of integral indices of small business performance we have developed recommendations promoting the

Table 6. Average value of the number of small businesses per 1,000 people of a municipal unit in 2009–2014, units/person\*

Municipal unit (district, city)	Agriculture	Manufacturing	Bulk and retail sales	Transport and communications	Real estate operations; renting and service delivery	Delivery of other municipal, social and personal service
Babayevsky District	7.53	1.98	14.05	3.82	1.94	1.84
Babushkinsky District	21.06	5.05	10.42	3.07	0.91	0.95
Belozersky District	6.71	1.94	10.92	4.52	2.37	2.23
Vashkinsky District	14.84	2.22	9.53	3.62	1.53	3.40
Velikoustyugsky District	7.33	3.58	16.12	7.10	3.77	2.13
Verkhovazhsky District	9.34	3.94	9.55	4.04	0.84	1.71
Vozhegodsky District	7.21	1.66	7.34	2.94	0.95	2.84
Vologodsky District	7.63	3.96	11.77	5.21	2.49	1.33
Vytegorsky District	8.45	1.61	9.76	4.62	1.39	1.44
Vologda	0.47	3.41	21.45	4.62	7.17	2.86
Gryazovetsky District	4.79	2.10	9.35	3.57	2.15	1.85
Kaduysky District	4.36	2.09	14.12	7.12	2.86	3.65
Kirillovsky District	7.27	2.20	10.85	3.55	1.84	1.10
Kichmengsko-Gorodetsky District	12.39	2.76	7.12	2.66	1.27	0.99
Mezhdurechensky District	25.34	2.34	10.92	2.28	0.91	0.57
Nikolsky District	12.52	1.98	9.08	2.08	1.58	0.90
Nyuksensky District	10.62	3.24	9.44	4.79	1.39	1.29
Sokolsky District	3.58	2.76	13.88	3.70	2.37	3.19
Syamzhensky District	23.33	3.89	9.86	4.27	2.30	1.83
Tarnogsky District	14.80	24.32	13.55	4.85	3.50	5.75
Totemsky District	6.68	2.51	13.84	4.13	1.79	2.37
Ust-Kubinsky District	8.88	2.53	10.43	3.25	1.58	0.74
Ustyuzhensky District	11.09	3.73	16.04	4.10	1.95	1.58
Kharovskiy District	12.76	11.36	14.00	4.86	2.93	4.79
Chagodoshchensky District	6.69	2.81	7.82	10.02	1.84	1.54
Cherepovets	0.31	2.93	19.11	7.26	6.27	7.56
Cherepovetsky District	7.19	1.57	12.69	7.92	4.01	3.20
Sheksninsky District	2.33	2.00	9.92	5.31	2.19	2.53
* Compiled by the author.						

Table 7. Recommended actions aimed at improving the level of small business performance in municipal units\*

Weak points of small business of a municipal unit	Actions aimed at improving the level of small business performance in a municipal unit
Low level of small business incidence in the territory of a municipal unit	Building mechanisms expansion of best practices of small and medium business support at the municipal level. Entrepreneurship publicity
	Establishing a dialogue between government and business
Low level of small business scale in a municipal unit	Development of a system of financial support of small businesses in the territory of a municipal unit
	Improvement of efficiency of small business development programs and mechanisms of financial support of small business units at the municipal level
Low financial productivity of small business of a municipal unit	Promotion of small businesses integration into supply chains
	Providing access for local small business units to municipal procurements
* Compiled by the author.	

development of specific activities in order to raise the level small business performance (*tab. 7*).

In order to create new companies and encourage the existing companies toward quality growth and the achievement of target development indices it is offered to form, on the basis of the existing infrastructure, a small businesses “acceleration” mechanism.

The system of business “acceleration” must encourage the exercise of entrepreneurial initiatives for the population and the increase in the number of jobs and the volume of production as well as further enlargement for small businesses [5; 16]. It should combine new approaches to financial backing of small businesses, providing them with seamless access to the infrastructure and engineering utilities.

The process of business development should be considered as an integrated target space which includes three stages of business development: new business (microbusiness) – small business – medium business. At the same time, a set of measures stimulating enterprises’ achievement of certain quantitative target indices and their transition to the next development stages [7, p. 95].

When building such a system it will become possible to unlock entrepreneurial potential of the area by means of active promotion and publicity of small business at the municipal level. The demonstration and provision of information on successful projects implemented through staged development will be an effective tool for increasing the prevalence of small businesses in the areas.

It is also worth noting that organizing open meetings and dialogues between government and management representatives and the members of a business community will help reveal the main problems which small businesses face at different stages of development, and to develop necessary measures to address these issues, thereby reducing the level of administrative barriers.

To address the problems related to low scale of small enterprises in a municipality it is necessary to develop systems of their financial support. [10, p. 176]. Information support, with regard to existing regional measures of small business support, loan and leasing companies' acquisition for creating regional representative offices will increase the possibility of fixed assets acquisition for activities implementation of small business in the territory of a municipal district.

Since almost all municipal units established their own proper small business development programs, it is necessary to increase their effectiveness by consideration of the specifics of the area and resources used by small businesses.

Considering the main business goal – profit maximization [8], the point to be emphasized is that certain measures must be initiated in order to improve small business financial efficiency. For this reason, local authorities must promote

the integration of small enterprises into other organizations' supply chains, as entrepreneurs are currently experiencing a problem of lack of communication between each other. As a result, potentially profitable mutually beneficial opportunities for resource, communication, experience and knowledge exchange are not implemented [2, p. 64].

Participation of small enterprises in the implementation of state and municipal contracts is also constrained by the complexity of liquid assets refill, necessary for executing contracts (purchase of raw materials, other overhead costs, etc.) [14].

Analysis of information about procurement on the official website [www.zakupki.gov.ru](http://www.zakupki.gov.ru) showed that a vast majority of contracts do not stipulate advance payments which may be delayed [10, p. 176]. In order to avoid cash deficiency competition (auction) winners are forced to apply for loans and bank guarantees provided on conditions of repayment and interest payment for a period of 90 days to 18 months.

The combination of defer payments, tough contract provision requirements, high tax burden and debt load leads to the situation where competition winners often lack financial resources for proper contract execution. As a result, they are enrolled on the blacklist of bad suppliers, which leads to extra expenses and company's bankruptcy.

A solution to this problem may be the distribution of a factoring mechanism, which will help raise funds through assignment of accounts receivable of a state customer. The burden of proper execution of state or municipal contract will remain to be performed by the winner of the competition and its implementation will be monitored by both government authorities and a fiscal agent who assumes the risks to payment under the contract [5, p. 125].

If these actions are taken, the enterprises will reduce the risks of doing business, increase the opportunity for potential development and formation of resources necessary for the development, the upgrade of the industrial base and new staff recruitment, and increase their financial productivity.

To sum up the approbation results, it may be noted that developed method of small business performance evaluation allows us to identify lagging areas and to determine the specifics of the existing problems. It is advisable to apply differentiated measures of small business

support on the part of regional and municipal authorities for municipal units in the Vologda Oblast. In areas experiencing problems with small businesses financial productivity, it is required to implement measures to promote the integration of small enterprises in supply chains and to increase the participation of small organizations in municipal procurement. However, it is obvious that the majority of small businesses lack financial support, which suggests the need for improvement of mechanisms and programs of small business development in the territory of each municipal unit of the region.

The use of differentiated small business support measures by each municipal unit will enable them to use the allocated funds more efficiently, considering the specifics of its development. In addition, the development of special tools and mechanisms aimed at the implementation of differentiated small business development policies in municipal formations of the region is appropriate. The probable solutions to these issues will be presented in further publications.

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