

ADMINISTRATION IN TERRITORIAL SYSTEMS

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Managing the Functioning of Small Business at the Municipal Level as a Driver of Regional Economic Development



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Abstract. Small business plays a special role in socio-economic development of territorial entities. Implementing the resource potential of a local area is the main and typical feature in the functioning of its subjects. However, issues related to the management of the sector, remain insufficiently developed in the framework of individual municipalities. On this basis, the aim of the present research is to develop an organizational and economic mechanism for managing small business, which would ensure the implementation of policy measures to enhance the functioning of regional small business at the municipal level. In order to achieve this goal, we set out the tasks to develop recommendations

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to promote the work of small organizations with the help of program activities and organizational and economic mechanism to ensure their implementation, as well as recommendations for the calculation of their economic effects. Methodological approaches to the research are based on general scientific methods (comparison, generalization, analysis, synthesis) and statistical methods (correlation, regression analysis). Their theoretical and methodological basis is formed by the works of Russian scientists (A.I. Ageev, A.P. Asaul, M.G. Lapusta, Yu.L. Starostin, and others) and foreign scientists (R. Cantillon, J. Meyer-Stamer, A. Smith, D. Ricardo, J.B. Say, J. Schumpeter) in the field of regional economics, specifically, small business management. Findings of the research confirm the need to develop an optimal approach to the organization of relations between small business and government structures at the municipal level. In this regard, we developed and proposed guidelines for designing programs aimed to enhance the functioning of small business for different types of municipalities chosen on the basis of application of methods that we developed previously for estimating the functioning of small business at the municipal level. In order to ensure their implementation we also developed an organizational-economic mechanism for managing small business functioning. Calculation of the effectiveness of implementation of the recommendations presented on the example of the Vologda Oblast shows that their implementation increases the autonomy of local budgets, releasing the funds of the regional budget in the next fiscal year in the amount of 52% of the amount of project financing (409.5 million rubles). The materials presented in the article can be used by regional and municipal authorities when determining future strategy and elaborating territorial development programs.

Key words: small business; entrepreneurship; regional economy; municipal entity; management mechanism; own revenues of local budgets, system for enhancement of activity.

Introduction

At the present stage of economic development, Russia and its regions are searching for new models, forms, and methods of socio-economic growth, for improving innovative capacity and economic competitiveness in the world economy [10]. Increased economic activity in small business is one of the most important problems in modernization of Russian economy [8]. Without enhancing the effectiveness of small business it is impossible to overcome a decline in production, to achieve financial

stabilization and economic recovery, and to improve the quality of life in the country as a whole and in its local territories.

Currently, there exists a dual point of view in relation to the development of economic systems, in particular, small businesses. Proponents of neoclassical theory (T. Bartik [18], D. Storey [25] L. Webster [26], R. Hamilton [22], A. Shleifer, etc.) adhered to the principle of economic liberalism, the principle of free competition. Dependence on factors such as human capital, unemployment, sectoral structure of the

economy, and the production and market infrastructure promotes self-development and self-regulation of the economic sector under consideration; this is why the government should not intervene in the process of harmonizing the data on economic processes. However, this approach works in a society accustomed to tough competition. In transition economies, the free market leads to impoverishment of a large number of people and to the unprecedented enrichment of large corporations that causes marginalization of part of the population.

An opposite point of view related to the Keynesian theory involves government's participation in all economic processes. According to supporters, the "consumer society" develops economic imbalance by directing too many resources to the production of consumer goods and not enough resources to social needs and infrastructure. Proceeding from this, researchers who support main provisions of this theory (P. Johnson, B. Mokry [23] F. Night, J. Schumpeter, J.W. Baumol [9; 15; 19]), indicate that the economic sector under consideration requires its entrepreneurial potential to be directed and efficiently distributed in order to improve the performance of society and increase the volume of innovation. Therefore, main reasons affecting the functioning of small businesses, have been supplemented with institutional and administrative factors.

Based on the results of a previously published study [5], we obtained conclusions

that it is necessary not only to create conditions for independent development of business structures, but also to provide various kinds of managerial influence to promote specific sectors and activities.

Taking into consideration the current dynamics and problems in the development of small business [7], we can assert there is a necessity to develop organizational and economic mechanism for managing its functioning, which would help implement measures aimed at its promotion at the municipal level. This confirms the relevance of the present study.

The goal of our research is to develop such a mechanism. To achieve this goal, on the basis of previously developed methods for assessing the functioning of small business at the municipal level, we worked out recommendations on promoting the work of small business through the implementation of program activities in municipal districts and city districts; we also developed a mechanism to ensure their implementation, and calculated their economic impact.

The relevance of the research

The quality of interaction between its elements is the main factor determining the performance of economic system management. In our opinion, the optimal solution is found in a model of indirect impact on small business through the improvement of conditions for economic activity for all entities of the business sector while simultaneously implementing various

measures to enhance their activities with regard to existing problems and needs.

According to the report of Joint-Stock Company “Russian Bank for Small and Medium Enterprises Support” (SME Bank) published in 2015, there are 11 major types of support provided by authorities of different countries. Comparing their ways to manage the development of small business and its support shows clearly the need to expand the field of financial support of small businesses. This is demonstrated by the experience of Canada, Switzerland, the UK, and other countries.

The adoption of Federal Law 209-FZ “On the development of small and medium entrepreneurship in the Russian Federation” dated July 24, 2007 marked the beginning of state support and management effects on the economic sector under consideration. However, the results of implementation of the adopted programs do not indicate their sufficient efficiency [7].

Compared to 2008, the number of organizations in 2014 increased by 34%, and the number of registered physical persons engaged in entrepreneurial activities decreased by 9.1%. For this period there was also an increase in the average number of people employed in the small business sector and an increase in its share in the structure of people employed in the economy (by 1.9% and by 2.4 p.p., respectively). However, despite the growing number of small businesses, their commodity turnover showed a continuous

downward trend. In 2011–2014, it decreased (in comparable prices of 2014) from 28.8 to 26.4 trillion rubles (or by 8.3%), and its share in the turnover of all companies decreased from 22.6 to 20.4%. As a result, in four years, the turnover of one small organization decreased on average from 15.6 to 12.6 million rubles (in comparable prices of 2014). Thus, the result of government management of the sector under consideration was its quantitative increase rather than development.

Having analyzed scientific literature on the function and role of small business in the economy [1; 3; 16; 21], we can conclude that it has the greatest impact on the economy of municipal entities, because its functioning facilitates accelerated economic growth of local territories, contributes to the development and saturation of local markets, at the same time making it possible to compensate for the costs of market economy (unemployment, fluctuations, crises) and implement resource potential of the territory, contributing to the growth of its level of socio-economic development.

Having studied the experience of government management of small business development at the municipal level, we point out that in modern conditions there are many different models of interaction between small businesses and local governments; the models have their advantages and disadvantages. Thus, it is necessary to develop an optimal approach to the organization of relations between power structures at the municipal

level and the small business sector. It is also necessary to develop a set of measures to promote effective functioning of small entrepreneurship subjects in local territories.

Research methods. Methodological approaches to the research are based on general scientific methods (comparison, generalization, analysis, synthesis) and statistical method (correlation, regression analysis).

In our research, we used economic-mathematical modeling, which helped establish linear dependence between the functioning of small entrepreneurship, and various factors and identify its impact on the financial independence of municipalities.

Using the method of mean values, we determined national average values of indicators of small business at the municipal level for 2009–2014, on the basis of which, on the example of the Vologda Oblast, we classified municipalities according to the quality of functioning of small business in the territory under consideration.

The works of Russian scientists (A.I. Ageev, A.P. Asaul, M.G. Lapusta, Yu.L. Starostin, and others) and foreign scientists (R. Cantillon, J. Meyer-Stamer, A. Smith, D. Ricardo, J.B. Say, J. Schumpeter) in the field of regional economics, in the management of small business, served as theoretical and methodological basis for the development and justification of program activities and organizational-economic mechanism of functioning of small business at the municipal level.

The results of the study.

Having analyzed the report of the Ministry of Economic Development for the meeting of the State Council of the Russian Federation “About the measures on development of small and medium entrepreneurship in the Russian Federation”, we point out that currently the majority of municipal entities of the Russian Federation implement programs for development and support of small business. In turn, development programs adopted at the municipal level differ considerably within the same region and are often only formal¹. We also analyzed business development programs that are implemented in municipalities that are leaders (according to the Agency for Strategic Initiatives in 2015) in different regions of the Russian Federation based on criteria such as the types of support, sources of funding, availability of infrastructure for support, the level and share of expenses of the municipal administration to support small business in the total amount of costs on the national economy. As a result, we came to the following conclusions:

1. Provision of municipalities with grants aimed to increase the number of small organizations has not produced the desired effect.

2. Subsidizing various costs of small business and provision of guarantee support

¹ For example, the average amount of financing for the program of development of small and medium entrepreneurship on the territory of Syamzhensky District of the Vologda Oblast amounted to an average of 10 thousand rubles per year for 2010–2016.

from municipal authorities for the purpose of obtaining additional financial resources has not led to the planned result, as well.

3. In the regions-leaders with a relatively low volume of funding for small business support, their municipal authorities direct most of their efforts to create favorable business and investment environment for the subjects of small business for the purpose of their effective functioning and further development. This activity is carried out in the following areas: streamlining of administrative procedures; provision of incentives for entrepreneurs in priority sectors; improving the quality of consulting services on the development of small organizations; implementation of measures to stimulate activities in individual economic sectors; organizing a system of state and municipal orders, etc. The availability of positive experience in using these measures at the municipal level, according to specified directions, confirms their efficiency.

The results of the analysis of municipal programs for development and support of small business undertaken in the territory of the Vologda Oblast indicate the low efficiency of their implementation in most municipalities and the actual lack of interest of local authorities in the development of small business. It is worth noting that in areas that lack infrastructure for the development of small business and additional support from the local authorities, we observe an increase in the basic indicators of activity

of small business; it is due to the allocation of municipal budget funds to other spheres of promoting the performance of economic sectors. This confirms the possibility of using a model for indirect promotion processes to enhance the operation of small businesses at the municipal level as an optimum variant of management of this economic sector.

To implement the model proposed, it is necessary to develop or revise the existing municipal target programs for development of small business. Their main goal should consist in creating favorable conditions for enhancing the functioning of small businesses in the municipal entity of the region for the purpose of enhancing the profitability of local budgets at the expense of own funds. The objectives of the programs can vary depending on different socio-economic issues of territories.

In order to determine them, we used our previously developed methodology that assesses the functioning of small businesses at the municipal level, which allows us to define its functioning trends and classify small business entities according to individual parameters, thereby promoting the development of a set of measures to solve specific problems of each group [4]. On the basis of this methodology we classified municipal entities of the region according to three blocks of the integrated indicator of functioning of small business. Having distributed the results of calculation of indicators concerning the average values

of each block in the country for 2009–2014, adopted as the critical boundary of the estimate, we obtained eight types of municipalities characterized by a particular set of positive and negative characteristics (*Tab. 1*).

The block “Extent of dissemination of small businesses” includes indicators characterizing the density of small enterprises on the territory of the municipality, taking into account its population size and the involvement of its population in the small business sector. The “Scale of business” in the territory of the municipality is understood as a group of indicators characterizing the extent of entrepreneurial activity carried out by small businesses (territorial characteristics are not taken into account in this category). The block describing the efficiency of functioning of small business includes profitability of their products and profitability of entrepreneurial activity on the territory of the municipality.

Having tested the method on materials of the Vologda Oblast, we identified main types

of municipal entities that differ in the functioning of small entrepreneurship; we also identified current problems for each municipality. In most districts there is a low degree of dissemination of small businesses. Major activities in this sphere, in our opinion, should aim to promote quality growth and development of small business and their activities and the need for dialogue between government and business to identify its specific problems and reduce administrative barriers.

The decrease in the level of functioning of small business in Babushkinsky, Velikoustyugsky and Sheksninsky districts is due to deterioration of financial efficiency of activity of small businesses. However, Vytegorsky, Gryazovetsky, Kaduysky, Ust-Kubinsky and Ustyuzhensky districts are experiencing a reduction in the scale of business operations. Thus, municipalities that are experiencing different problems require differentiated ways to support small entrepreneurship.

Table 1. Characteristic of the types of municipal entities of the region*

Type	Extent of dissemination of small business		Scale of small business		Efficiency of small business	
	High	Low	High	Low	High	Low
1	+		+		+	
2		+	+		+	
3	+			+	+	
4		+		+	+	
5	+		+			+
6		+	+			+
7	+			+		+
8		+		+		+

* Compiled by authors.

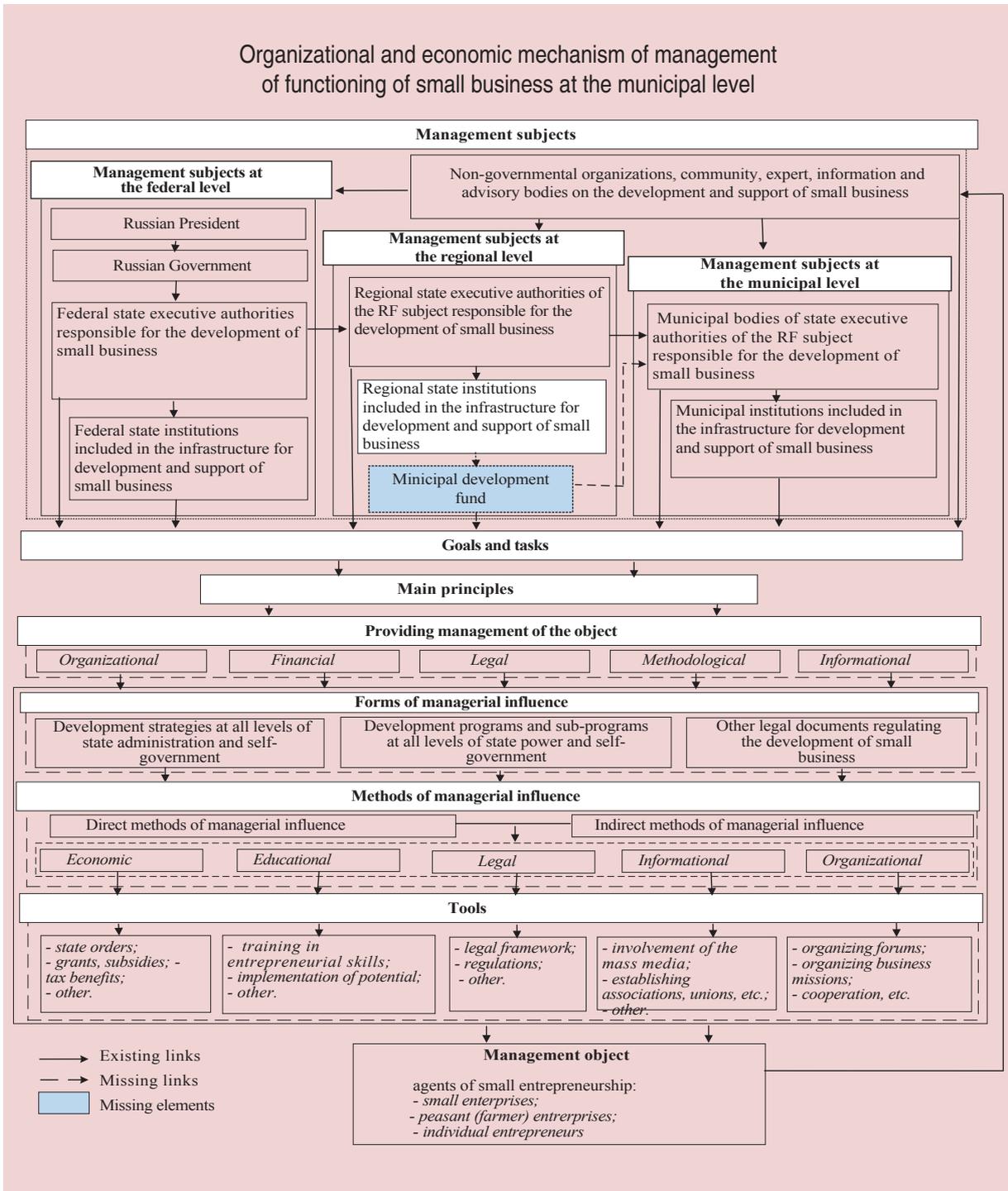
In this regard, a set of recommendations was developed for enhancing the functioning of small businesses at the municipal level for each type of municipalities. The complex comprises two blocks:

1) basic (priority activities, the implementation of which is feasible regardless of the group of small business);

2) variable (differentiated activities for each group of small business).

Each of these units has five main areas to enhance the functioning and creation of conditions for development of the subjects of small business on the territory of municipalities. These areas are as follows: legal (for the basic block: development of legal framework for cooperation between municipal self-government and small business; outlining the areas of investment policy; approval of quality standards for municipal services, etc.; for the variable block: development of investment passport; conclusion of a partnership agreement between municipal self-government and small business, etc.); information (for the basic block: publication of plans for creation of investment platforms; formation of advisory support system for small business, etc.; for the variable block: creation of online resource to provide a channel of direct communication with small business and municipal self-government; direct informing about the latest changes in the legal and economic interaction between business and government, etc.);

organizational (for the basic block: creation of public councils of entrepreneurs under municipal self-government; establishment of an administration of municipal entities on the development of small business; establishment of an office for managing the land and property complex; for the variable block: development of joint projects of small business and municipal self-government on the basis of public-private partnership (PPP); development of sponsorship and charity; organization of socially significant productions, etc.); economic (for the basic block: reduction of time and financial costs of small business with regard to licensing procedures; creation of a mechanism to promote energy efficiency of small business production; formation of factoring mechanism, etc.; for the variable block: creation of infrastructure to accommodate industrial and other objects of investors in the territory of the municipality; formation of development institutions and financial organizations on the territory of the municipality, etc.), and resource and methodological support (for the basic block: development and dissemination of manuals on the rules and guidelines of doing business; improvement of professional skill of employees at municipalities' administration, etc.; for the variable block: training the unemployed for entrepreneurial activities; increasing the economic and legal literacy of residents of municipal entities, etc.).



In the preparation of a municipal program for boosting the functioning of small businesses at the municipal level it is recommended to include at least one measure of support for each area of activity of municipal self-government of the basic block and at least three measures for the variable block. It should be noted that for each area of the variable block it is possible to develop other projects of activities to support and enhance the functioning of small business. However, they should be aimed primarily at solving problems corresponding to the type of municipal entity. This approach will provide an optimal use of available resources and increase in the efficiency of municipal authorities.

The performance of the program is estimated by assessing the obtained and planned results of the functioning of small business at the municipal level; and the efficiency is assessed by a regional expert council through assessing the growth of own revenues of local budgets of municipal entities.

In our opinion, the implementation of these measures is only possible if a common organizational-economic mechanism is created that helps achieve goals taking into account the problems that exist in business entities in municipalities of the region.

We analyzed the works by V.G. Afanas'ev, G.Kh. Popov, A. Kuhlmann, K. Morgan and others [6; 11; 24] that study organizational and economic systems, and we understand

the organizational-economic mechanism of management of the functioning of small businesses at the municipal level as a set of principles, forms, methods and tools of targeted administrative impact of authorities at all levels on the functioning of small business in order to improve the efficiency of its activities to facilitate socio-economic development in the territory.

The mechanism that is to be formed is based on the existing system of management of development of small entrepreneurship in the Russian Federation and provides for the adjustment of existing relationships and the formation of several new management subjects (*Figure*). This mechanism is created and operates by the management activities of municipal government and administration that are guided by their own principles and management specifics, available resources and local policy, based on development priorities identified by federal and regional authorities and spelled out in key documents of socio-economic development of the state.

This organizational and economic mechanism of management of functioning of small business in municipal entities consists of three units. The first unit – the system for managing the operation of small business – comprises state and municipal authorities, community councils, enterprises, public institutions and institutions that provide management impact. The second unit of the mechanism is a set of forms, methods and tools that can change depending on

the tasks, resource base of the municipality, management practices and other external and internal factors. The third unit includes an object of management – small businesses of the municipality. The following diagram reflects the process of interaction and communication between all participants of the management under consideration. Thus, the main task of the mechanism is to restore the links between its elements that were broken or that are not functioning at full strength. Since we have revealed a decrease in managerial influence on the functioning of small business on the part of municipal authorities, it is advisable to create additional sources of incentives for their cooperation to promote economic development of a territorial entity.

In regions of the Russian Federation, different power structures are created that are involved in stimulating socio-economic development of municipal entities. In the Vologda Oblast such a structure is the Department of Internal Policy, formed according to the Decree of the Vologda Oblast Government “On approval of regulations on the Department of Internal Policy of the Vologda Oblast Government” dated May 31, 2012 No. 570; this department is in charge of implementation of powers of executive bodies of state authorities of the region in the sphere of local self-government. The functions of the department include the distribution of financial means of the regional budget, allocated for socio-economic development

of territories in the framework of various projects, contests, and events. As of July 1, 2016, the instructions with regard to all municipal districts of the oblast were executed for a total amount of 78.612 million rubles, including in 2014 – 15.474 million, in 2015 – 8.841 million rubles and in 2016 – 54.296 million rubles.

However, the allocated funds are not enough to address current problems of municipalities and design additional projects and activities, which reduces the interest of the local administration in the development of the district economy. The most perspective sphere of activity for local self-government is to receive subsidized payments, which tend to increase in the Vologda Oblast. In 2014–2016, the increase in the volume of subsidies that go to the budget of municipal districts and urban districts averaged 40.3%, and the total volume of subsidized payments reached 1.5 billion rubles in 2016.

Based on the necessity to organize real motivation for local self-governments in the promotion of managerial impact on the small business sector, we consider it appropriate to create a structural unit on the basis of regional business support centers (BSC), whose activity is connected with promoting small business development and providing various support measures aimed to enhance their functioning, and with the implementation of other activities in the framework of state programs (subprograms) of constituent entities of the Russian Federation and

municipal programs that contains activities for development of subjects of small and average business, ensuring effective implementation of municipal programs for the development of small business through the implementation of financial incentives for administrations of municipal districts of Russia's constituent entity (Municipal Development Fund – hereinafter, the Fund).

This project can be implemented after the adoption of the regional program for development of small business, which includes the establishment of the Fund. It should be noted that its activity does not involve making profit. The main objective of the Fund is to provide financial support to administrations of municipal districts (municipalities with the exception of regional and industrial centers and single-industry towns) with the aim of creating a system for enhancing the functioning of small businesses in the local territory.

The main objectives of the Fund can be as follows:

- promoting the development of small business by organizing an effective administrative support to the municipal authorities;
- increasing self-sufficiency of the budgets of the region's municipal entities;
- diversifying the economy of the region's municipal entities;
- evaluating the effectiveness and targeted use of funds by municipal self-government.

Funding sources can be found in financial resources of the regional and federal budgets. According to the resolution of the Ministry of Economic Development of the Russian Federation dated December 29, 2016, No. 1538, the amount of co-financing of regional programs for development of small and medium business ranges from 34 to 95% of the total project funding, depending on the subject of the Russian Federation. It is proposed to link the amount of regional financial resources allocated to the activities of the fund to the volume of corporate tax inflow of organizations in the amount of 2% out of 17% of the total income tax directed to the consolidated budget of the region from the municipalities (around 11.5% of the total amount of corporate tax directed to the consolidated budget of the region by municipalities). The expenditures on operating activities of the fund (wages, current expenses, etc.) are covered by these funds in the amount that does not exceed 10% of the total amount of financing the fund's activities. The rest of its financial means should be distributed among municipal administrations for implementation of the selected projects on development of their own socio-economic systems (under the item “needs of the national economy”).

The implementation of this financing system will help create a system for supporting the functioning of small business at the municipal level through changing the amount of support provided by regional

authorities judging by the performance of the entrepreneurial sector in the local territory.

According to the office of the Federal Treasury and the Department of Federal Tax Service in the Vologda Oblast, the amount of corporate tax in the municipalities under consideration (except for the cities of Vologda and Cherepovets) amounted to 6.55 billion rubles as of 2014. Thus, the financing of the fund from the regional budget next year should amount to 770.5 million rubles, which, in turn, is about 1.3% of the total revenues of the consolidated budget of the Vologda Oblast and 67.5% of the amount of subsidies paid to the local budgets. According to the aforementioned resolution of the Ministry of Economic Development, the co-financing on the part of federal authorities is about 62% for the Vologda Oblast. All in all, the total amount of financing of the fund from all levels of the budget will be about 2.03 billion rubles.

Taking into account the expenses for the needs of the economy in the municipalities under consideration, as well as the results of simulating the interaction between small business and socio-economic system of municipalities, and if 90% of financial resources of the fund (about 1.8 billion rubles) are allocated to the needs of economy of municipal districts of the oblast, then next year it is expected that own revenues of the municipality will increase by 15.5% (1.18 billion rubles) due to the increase in the profit

of small businesses². Efficient operation of the fund will also contribute to the growth of the tax base of businesses that will further increase the payments of profit tax in the consolidated budget of the region.

As a result of increase in the payments to local budgets at the expense of own funds, in the future it is possible to reduce subsidy expenditures of the consolidated budget in the amount of the sum of this increase, and this will make it possible to redirect the funds to address other socio-economic problems of the region.

In addition, in order to redirect the funds of the consolidated budget of the region for the implementation of the proposed project, it is suggested to reduce subsidy payments to district budgets aimed at the needs of the economy of municipal entities. Redistribution of budget funds shown on the example of the Vologda Oblast will increase the revenues and autonomy of local budgets and lead to the release of regional budget funds in the amount of 52% of the total funding for the project.

It is recommended to determine quotas and allocate financial resources of the fund according to expert opinion of the application of the municipality, and according to the classification of small businesses on the basis of deviation of the integral indicator of

² The calculations were performed on the basis of existing models of interaction between small business and the economy of the municipal entity with the use of the data of the office of the Federal Treasury and the office of Federal Tax Service in the Vologda Oblast [5].

Table 2. Distribution of scores on the deviation of the integral indicator of functioning of small businesses in the district from the average value

Level	Deviation of the integral indicator	Recommended score of application assessment
High	over 30%.	5
Above average	from 10 to 30%.	4
Average	from -10 to 10%.	3
Below average	from -30 to -10%.	2
Low	less than -30%.	1
* Compiled by authors		

functioning of small businesses in the district from the regional average value (Tab. 2).

The amount of funding for the application of a municipal entity is calculated according to the following formula:

$$S_i = F_j * \left(\frac{b_i + k_i}{\sum_{i=1}^n (b_n + k_n)} \right) \times 100\%, \quad (1)$$

where S_i is the amount of funding for the i -th application of the municipality;

F_j – main resources of the fund to be distributed between municipal entities in the j -th financial year;

b_i – score of the estimation of statistical indicators of the i -th application of the municipality;

n – number of applications of municipalities for consideration of further financing in the fund;

k_i – expert ratio of the i -th application.

Assessment of the quality and compliance of planned activities with existing problems of municipal entities (according to the classification of municipalities) is assigned to the expert commission of the fund. After the application has been examined, a final score is given, which characterizes the overall quality

of the developed municipal program (from 0 to 10 points). The calculation of the expert ratio is as follows:

$$k_i = \frac{(\sum_{p=1}^z a_{ip})/z}{10}, \quad (2)$$

where a_{ip} is a final score of the p -th conclusion of the i -th application, characterizing the overall quality of the municipal program;

z – number of the expert opinions on a single application.

Thus, the quality of the drafting and the validity of proposed measures and types of support from local self-government, aimed at improving key performance indicators of the economic sector under consideration, will define the amount of incentive funding provided by regional authorities.

The creation of the fund considered above should become a priority area of activities of regional authorities in the field of support and development of small entrepreneurship. Its operation will help attract additional funds from the federal budget to ensure the effective use of the region's consolidated budget, to intensify the activities of local self-

governments, and to increase the financial autonomy of local budgets through the development of the socio-economic system of the territory.

Conclusions

The results of the study prove that it is necessary to develop an optimal approach to the management of relations between municipal government and small business sector as well as a set of measures for its support, contributing to the effective functioning of small businesses in local areas. In this regard, the guidelines for designing programs for different types of municipalities have been developed and proposed, and they aim to enhance the functioning of small business. These programs are based on the system of program measures to enhance the functioning of small businesses at the municipal level taking into account the specifics of each type of municipal formations.

Development of municipal programs on the basis of recommendations presented in this article will contribute to the development of the small business sector and creation of an effective model for interaction between municipal authorities and small businesses; the use of this model will improve the profitability of local budgets at the expense of own funds, which, in turn, will lead to

an increase in the level of socio-economic development of the municipal entity and the region as a whole.

In order to promote the implementation of these programs we developed an organizational-economic mechanism for managing the functioning of small businesses. The main element is the municipal development fund, aimed at financing the proposed activities included in the municipal program. On the example of the Vologda oblast it has been revealed that the implementation of the proposed recommendations will increase the amount of payments to local budgets and the autonomy of these budgets, which will lead to the release of funds of the regional budget in the next fiscal year in the amount of 52% of the amount of project financing (409.5 million rubles).

Further studies will aim to facilitate the approbation of the recommendations presented on the example of districts of the Vologda Oblast, as well as to improve the developed system of program measures to enhance the functioning of small business. The proposed theoretical and methodological approaches can be used in the management of regional and municipal economy in other regions of Russia.

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