

ECONOMIC AND SOCIAL EFFECTIVENESS OF STATE ADMINISTRATION OF SMALL ENTERPRISE IN BELARUS

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Abstract

The necessity of effective state influence on dynamically developing modern processes and phenomena determines the importance and the interest of society and its structures to the successful effectiveness of state administration. Such characteristics as “productivity”, “outcome”, “quality”, “efficiency” are becoming more and more relevant in terms of state administration. The issue if the government as the subject of administration can provide the satisfaction of the barest necessities of certain citizens and society in terms of limited resources is often raised. Moreover, long-term nature and the stability of positive changes in the state are determined by an actual productivity increase and the effectiveness of the state administration. Defining the state administration effectiveness one should take into consideration the degree of state support of small and middle-sized businesses that is revealed not only in taking legislative regulations implementing the entrepreneurial activity but also in creating and functioning of the infrastructure of enterprise support and development.

Keywords: effectiveness of state administration, small businesses, economic indicators, centres of entrepreneurial support, incubators of small enterprise, programmes for small enterprise.

Introduction

The necessity of effective state influence on dynamically developing modern processes and phenomena determines the importance and the interest of society and its structures to the successful effectiveness of state administration. Such characteristics as “productivity”, “outcome”, “quality”, “efficiency” are becoming more and more relevant in terms of state administration. The issue if the government as the subject of administration can provide the satisfaction of the barest necessities of certain citizens and society in terms of limited resources is often raised. Moreover, long-term nature and the stability of positive changes in the state are determined by an actual productivity increase and the effectiveness of the state administration.

The notion “effectiveness” derives from the Latin word “efficiencies” that means actual, constructive. As the science has been developing its contents has enriched and nowadays the effectiveness is regarded as outcome that reveals the proportion of the final result and the costs.

As far as the state administration system is concerned the effectiveness should be viewed as complex characteristics of potential and actual results of system functioning taking into account the degree of correspondence of the obtained results to the objectives and tasks of its development. So, the correspondence of the obtained results to the objectives and the tasks of the country development should be considered not only in short term but also in medium and long-term outlook.

As an economic category economic effectiveness reflects the proportion between the desired result achievement and the carried costs. To a greater extent, the effectiveness characterizes the level of the economic development of the country revealing directly or indirectly the quality, the state and the level of all the resources usage involved in the process of production.

It is necessary to take into account such type of effectiveness of the state management as social effectiveness, which allows defining the effectiveness of the state social policy, solution of social problems of the society life activity, its various groups and classes. The main criterion of the social effectiveness of the state management is the improvement of the quality and standards of life of people.

Small enterprise in Belarus

The integral part of the economic policy of the country is a state policy in the field of the development and the support of enterprise which is targeted at the stimulation of productive, innovative and investive spheres, small enterprise subjects, the increase of the export of goods and services, the production of import substitution products, the accelerated development of a small business sector in the countryside, the towns and the cities of the country. As a result of the conducting of such a policy new small enterprises and new working places have been created, the workers, who were made redundant in the state sector have been employed, etc. and these are socially significant trends in the realization of the social state policy.

While appraising the economic effectiveness at the national economy level it is necessary to consider two main components: economic effectiveness and social acceptability. This means that the effectiveness of the economy functioning should be connected with the increase in the people's welfare, based on the consistent uplift of the whole production potential of the country, including scientific and technical potential, technological innovations, entrepreneurial resource, etc.

Determining any type of the state administration effectiveness is based on the criteria and the indicators which reveal the state of the administration object obtained as a result of administrative influence from the government. The effectiveness of the state administration of small enterprise reflects the state policy in this sphere, the solution to the problems of small and medium-sized businesses supporting and improving the legislation in this sphere.

Table 1. The role of small enterprises in the major economic indicators (in percentage)

Economic indicators	Year	2006	2007
Gross domestic product		8,8	8,4
Goods and services output		8,1	8,0
Annual average number of employees		10,6	11,2
Annual number of foreign moonlighters		32,7	35,1
Industrial production volume (work and services), including the value of the secondary customer's raw materials (which hasn't been paid by the manufacturer)		7,3	7,6
Investments in the state budget		7,1	10,6
Profit from the goods, work and services		22,8	18,1
Retail turnover, including catering		10,2	11,2
Foreign trade turnover:		23,9	15,2
export		15,3	7,2
import		31,6	22,0

The criteria of the state regulation effectiveness of small enterprise can be the role of small enterprises in the major economic indicators: gross domestic product, goods and services output, the annual average number of employees, investments in the state budget, foreign trade turnover etc.

The analysis of the infrastructure of enterprise support and development

Defining the state administration effectiveness one should take into consideration the degree of state support of small and middle-sized businesses that is revealed not only in taking legislative regulations implementing the entrepreneurial activity but also in creating and functioning of the infrastructure of enterprise support and development.

There are centres of entrepreneurial support (hereinafter referred to as centres) which provide the consulting support to small enterprise, to the unemployed, to the students and other citizens giving the required information; these centres also provide recommendations to the queries concerning business planning, setting up and managing the organization; methodical support of small enterprise; the support in getting bank loans, personnel training, the participation of small enterprise in fairs and exhibitions etc.

37,965 people applied to the centres for a 9-months period of 2008. These people can be divided into 4 categories: 1) entrepreneurs who have recently started working and those ones who have been working for more than a year (23,383); 2) unemployed people (1,097); 3) students (4,290); 4) other categories (9,195). Thus, the major clients of the centres are the entrepreneurs. Besides, we should note that the students and some other categories of citizens have taken an interest in entrepreneurial activity.

In general, the activity of the clients who have applied to the centres for help is connected with providing services including transportation services, retailing, wholesaling, industrial activity, construction etc. 16,108 people took part in 608 seminars that were held and organized by the centres. The topics of the seminars are various. They are the basics of the entrepreneurship, taxation, labour and safety legislation, work discipline and contract system, customs legislation, customers' rights protection etc.

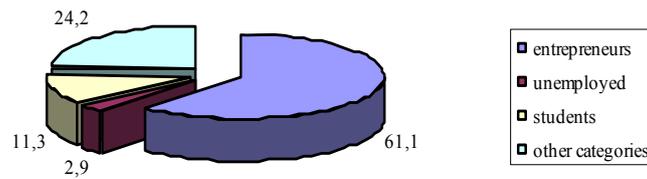


Figure 1. Clients of the entrepreneurial support centres, %

In the republic there are 44 centres and 8 incubators of small enterprise (hereinafter referred to as incubators) (the information is given on January 20, 2009). Taking into account the infrastructure of the entrepreneurship support it is necessary to focus on their location. It is also important to take into consideration the division of small enterprises due to regions.

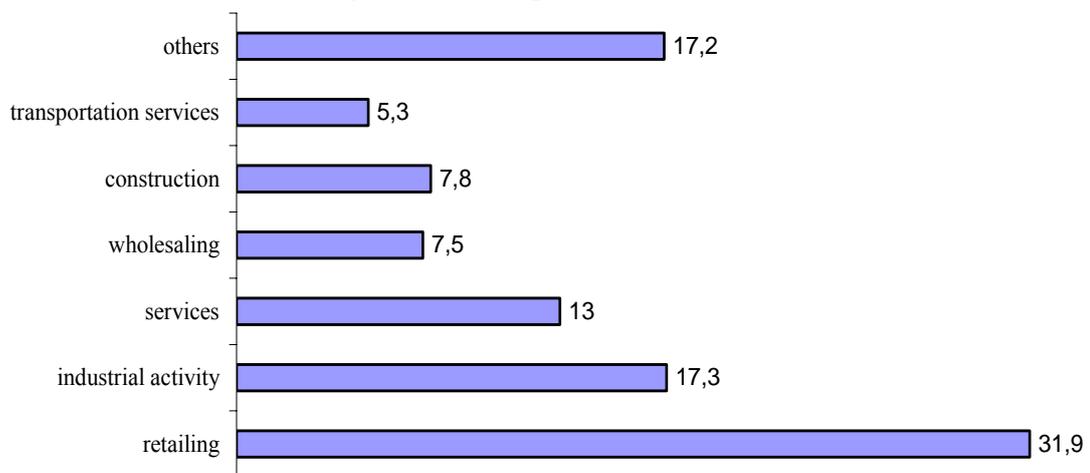


Figure 2. Different kinds of activities of the clients

By the end of 2007 the number of small enterprises was 51,240. Speaking about the regions the results are the following: Brest region – 5,527, Vitebsk – 3,973, Gomel – 4,187, Grodno – 3,888, Minsk – 6,525, Mogilev – 4,567 and Minsk city – 22,573.

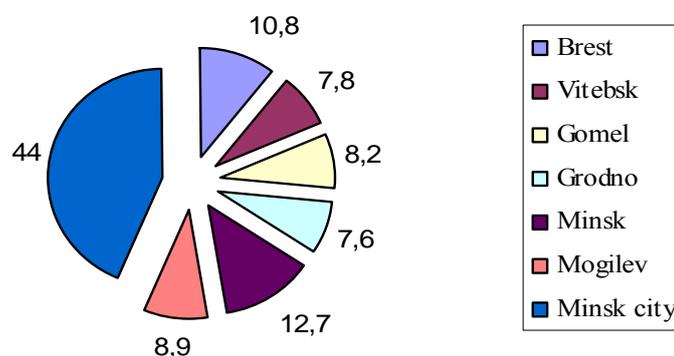


Figure 3. Division of small enterprises due to regions by the end of 2007

Almost half of all the small enterprises is located in Minsk. Among the regions Minsk and Brest are ranked the first, in the rest of the regions we can note approximately equal numbers.

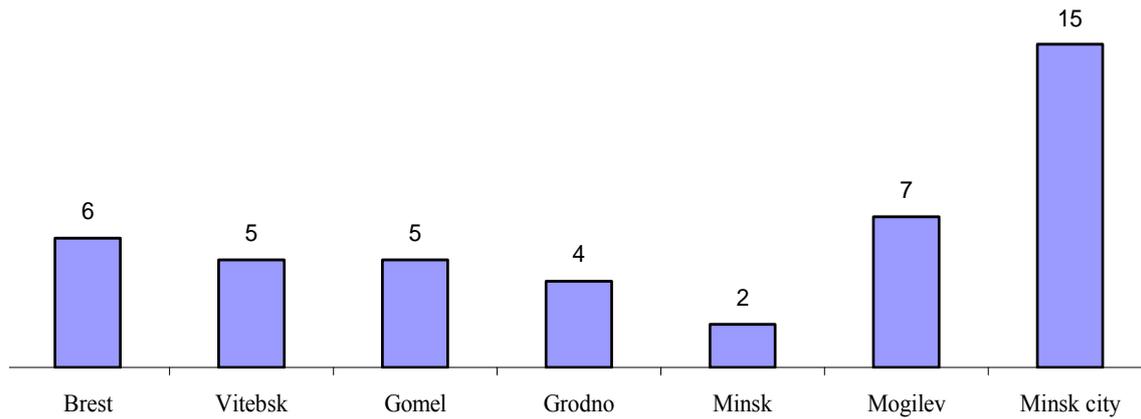


Figure 4. The division of the centres due to regions

The incubators are functioning in every regional centre, one of them is in Minsk area and another one is in Grodno area. In this case such location can be explained by the fact that the biggest amount of the subjects of small enterprise is located in Minsk region and the smallest number is in Grodno region.

The centres are ranked in the following way: Brest region -6, Vitebsk and Gomel -5, Grodno -4, Minsk -2, Mogilev -7, Minsk city -15.

So, the biggest number of the centres is located in Minsk, it is explained by the fact that a large number of the subjects of small enterprise is situated in Minsk. In Minsk region there are only 2 centres functioning, thus, we can say that there is a lack of them, taking into consideration that in Minsk region there is the biggest concentration of small enterprises among the regions.

Taking into account the fact that in Grodno region there is the smallest number of small enterprises it seems relevant to increase the amount of centres in order to support the entrepreneurs and to contribute to the development of business. In other regions, such as Brest, Vitebsk, Gomel and Mogilev there is an equal division of such centres.

In order to create favourable conditions for the development of small enterprise in Belarus the decree of the Council of Ministers №1029 “Approval of complex of measures targeted at the achievement of the forecast parameters of the small and middle-sized enterprise development for the period till 2010” (August 11, 2006) was approved (hereinafter referred to as Complex of measures).

The given complex of measures includes the following sections:

- the improvement of the standard legal base;
- the facilitation of the taxation for the subjects of small and middle-sized enterprise;
- the improvement of the assets support of the subjects of small and middle-sized enterprise;
- the improvement of infrastructure support of small enterprise;
- the development of the production cooperation between the subjects of small and middle-sized enterprise and other organizations;
- the improvement of the information support of small and middle-sized enterprise;
- personnel training for small and middle-sized enterprise and others.

By the end of 2010 the share of small and middle-sized enterprise in the total volume of outcome, got from the sold goods and services in national economy must be increased by 30%; the number of legal people (subjects of small and middle-sized enterprise) must be raised up to 44,000-46,000; the number of people employed in the sphere of small and middle-sized enterprise including sole traders must be increased up to 23-25% from the total amount of people involved in the economic sphere.

The given numbers haven't been achieved yet but due to the President of Belarus decree № 302 “Regulations concerning setting up a private unitary enterprise and its activity by a sole trader” (June 28, 2007). 51,240 enterprises were registered by the end of 2007 and this number corresponds and even exceeds the amount of legal people, supposed by the Complex of measures. But we also need to mention that out of 51,240 enterprises only 39,782 enterprises were running their activities, that is below the established target.

Within the framework of the complex of measures fulfillment such legislative acts were accepted:

1. The President of Belarus decree № 285 “Additions and amendments to the President of Belarus decree June 18, 2005” (December 29, 2006). Due to the decree (January 1, 2008) sole traders' activity can be carried out only with the help of the family members and close relatives (spouse, parents, children,

grandchildren, brothers and sisters, grandparents, adopters and adopted); till December 31, 2008 there was a fixed amount for the value-added tax payment.

2. The President of Belarus decree № 119 “The facilitation of taxation system” (March 9, 2007). The regulation concerning the facilitation of taxation as well as the application terms of the above mentioned system, taxation base and rate, tax calculation and expiry tax payment date and also other questions connected with the application of the facilitated regulations were confirmed. The decree came into force July 1, 2007.
3. The President of Belarus decree № 302 “Regulations concerning setting up a private unitary enterprise and its activity by a sole trader” (June 28, 2007). In the decree a privileged system of setting up unitary enterprises by sole traders was stipulated.
4. The President of Belarus decree №1 “Production stimulation and the sale of products” (January 28, 2008). The present decree is targeted at the stimulation of the entrepreneurial activity, the attraction of foreign investments, the development of export potential of economic entities. For start-ups from April 1, 2008 located in populated areas of no more than 50000 people the following regulations are stipulated within 5 years of their existence: certain taxes exemption, the right to set up the prices (tariffs) for their goods (work, services) and the salary for their employees and others.
5. The President of Belarus decree № 113 “Regulations and terms concerning the sale of enterprises that make part of unprofitable enterprises to legal people” (February 25, 2008). In accordance with the President decree the sale of unprofitable state enterprises that were loss-making within three or more years and are having financial failures in sales to legal people due to the contest is stipulated. And the initial sale price of the enterprise makes 20% of the evaluation cost (January 1, 2009). If evaluation cost is equal to 0 or below the prescribed value, the initial sale price is equal to the base value.
6. The President of Belarus decree № 270 “Regulations contributing to the development of motorway service” (May 15, 2008). For creating favourable conditions for the development of motorway service on the country motorways and for providing the effective usage of transit on the territory of the Republic of Belarus the regulations of the given decree stipulate the following:
 - estate taxes are not imposed on the motorway service objects within 2 years from the date of their functioning;
 - enterprise and sole traders’ profit got from the sale of the goods on the motorway service objects isn’t taxed within 5 years from the date of their functioning;
 - construction and (or) reconstruction of the motorway service objects and the engineering infrastructure are implemented without the loss recovery of the agricultural and timber production resulted in the confiscation of the agricultural and forest area for the above stated goals.

The banks that are empowered to service government programmes are to provide loans for the organizations and sole traders for the construction and (or) reconstruction of motorway service objects and engineering infrastructure for a 5-year term at a 2/3 National Bank refinancing interest rate in Belarusian roubles and as far as loans in foreign currency are concerned the annual interest rate is 8%.

Also Government support programmes for small enterprise annually come into force and the funds are allocated from the state and local budgets.

So, Government support Programme for small enterprise support in the Republic of Belarus for the period 2008 was approved by the Council of Ministers of the Republic of Belarus № 438 (March 22, 2008). The Programme contributes to the further development of small enterprise, the achievement of positive dynamics, the increase of the subjects quantity mainly in the towns and the countryside. In its turn it helps to lower social strain in the society providing the population employment and increasing their profits, social risks in the process of economy transformation and also it increases the effectiveness of the interaction between the government and the society. The given Programme was financed from the state and local budgets at the size of 3629,7 mln. roubles (more than \$1,5 mln.).

Conclusions

Therefore, the following conclusions can be made from the mentioned above:

1. The state policy in the area of development and support of the entrepreneurship is an inseparable part of the economic policy of the country;
2. Social effectiveness of the state must be connected with the improvement of the quality and standard of life of the people;

3. Social responsibility of the state consists in the conduction of the effective social policy . And concerning entrepreneurship it consists in the provision of the proper state support of the small business aimed at its development , which includes creation of new working places, employment of redundant workers of the state sector, etc. As a consequence, the middle class is being formed, which is the main guarantee of the society development
4. The share of the small businesses in the basic economic indices can serve as a criterion of the defining the effectiveness of the state regulation of the small business;
5. The results of the functioning of the entrepreneurship support and development infrastructure reflect the level of the state development of the small business;
6. The system of the state support of the entrepreneurship is taking place and is developing in Belarus, but its structural elements (centers and incubators) are situated erratically on the territory of the country;
7. The adopted programmes of the state support of the small business are carried out successfully, that proves their effectiveness.

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