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LEVERAGES OF LOCAL SELF-GOVERNMENT INFLUENCE ON THE ENTREPRENEURSHIP DEVELOPMENT OF THE REGION

INTRODUCTION

The increase of state financial activity efficiency stipulates the fundamental reconstruction of local self-governmental authorities and improvement of such an important direction of its activity as business-climate management. Efficient use of business-climate management tools is an important way to maintain high paces of economic growth in the region.

Currently reforming of local governance system and tendencies to expansion of the tasks of local self-governmental bodies cause the growth of the need for expenditures requiring search for new forms, methods and mechanisms of mobilization of incomes to all types of local budgets. However it can be achieved only in terms of active business development in the region, primarily small and medium business as the main originator of tax and other payments. Therefore, performance of their functions by local self-governmental bodies and creation of necessary conditions for social and economic growth of the state require providing of stable, real and solid leverages of influence on the development of small and medium entrepreneurship (SME).

BASIC MATERIAL

In order to expand the specter of leverages of local self-governmental bodies' influence on entrepreneurship in the region the efforts should be directed at attraction of investment. In its turn in order to attract investment favourable tax conditions for business should be provided.

Dynamics, structure and geography of investment inflows are influenced by many factors. Primarily – regional structure of economy, allocation of factors of production, financial condition of enterprises, development of social infrastructure of settlements and, in particular, availability of natural resources, resort zones, etc.

Regarding tax environment, the amounts of tax payments income define the efforts of local authorities directed at creation of necessary conditions for entrepreneurship activity and activity of local authorities on mobilization of incomes.

Therefore, the following are the basic principles of tax payments system reforming:

- Simple property tax according to determination of tax base by the market value of the object;
- Fair distribution of tax burden based on the dependence of tax rate on the object of taxation and category of taxpayers;
- Transparent and open system of tax incentives and stimuli focused on the analysis of tax burden changes in the course of transition to new tax.

Almost all countries face the problem of financial maintenance of territories' development. The essence of the problem is that administrative and territorial units the countries are divided into have different tax base and financial potential. Therefore, the necessity for local self-governmental bodies emerges to use modern leverages of influence on entrepreneurship development in the region as basic accelerator of economic potential and competitive ability.

Notwithstanding the negative tendencies peculiar to initial stage of establishment and current development of the sphere of small and medium entrepreneurship the latter appears as the factor of influence on forming of market relations at the level of region and maintenance of efficient functioning of regional economic system in the following basic directions [Bashnyany, Boychuk, Dubovy, 2000, p. 133]:

- As an important mean of new branch structuring on the basis of existing in the region natural and economic potential, forming of competitive ability and change of consumer market structure related to its mobility in the choice of priority activity directions, flexibility and rationality of organizational forms;
- As an important mean of creation of preconditions to overcome investment crisis in economy and change of capital investment structure in favour of small forms of entrepreneurship that will influence the efficiency of investment processes;
- As an important mean of changing the labour market structure and reduction of unemployment social consequences through creation of new job places and development of possibilities to show private entrepreneurship initiative as basic driving force of economy.

By its nature, small enterprises have unstable income and higher net costs; they suffer more from unfavourable economic changes and can for this reason require special attention. Thus, in many countries state and regional institutions

play very important role in creation of favourable environment for small business.

Local self-governmental bodies are the institutional element that has to provide positioning of medium or mediatory functional role of the region in the quality of the management element able to optimally balance functional (vertical) and territorial (horizontal) links of social system.

Currently regional target programs are important mean of small and medium entrepreneurship development at the disposal of local self-governmental bodies. By implementing these programs local self-governmental bodies must support viable economic structures that act according to the goals and directions of region's development.

Regional target programs of small and medium entrepreneurship support enable performance of the complex of mutually related measures on creation of favourable conditions for its establishment and efficient development [Shvets', 2003, p. 108]:

- Creation of informational and consulting environment for complex maintenance of enterprises and providing of feedback with evaluation of legal and normative acts efficiency;
- Providing of free access of entrepreneurs to information (legal, normative, enquiry, marketing, scientific-technological, commercial) both in the process of creation of small and medium enterprises and in the process of their functioning;
- Introduction of efficient staff training system for entrepreneurship activity that allows to cover not only already acting enterprises but also start-ups;
- Creation of credits granting and financial assistance system, intermediation in the contacts with investment funds and foreign investors;
- Development of perspective forms of funding (leasing, insurance, circulating notes, etc);
- Creation of the system of material and technical maintenance of small and medium entrepreneurship through granting assistance in renting production spaces and non-residential communal property premises and allocation of ground areas;
- Creation of infrastructural environment for activity of small and medium entrepreneurship;
- Organization of the system of complex support of small and medium enterprises in the sphere of goods and services production.

Analysis of regional programs implementation and their consequences enables us to conclude that essential positive changes in the sphere of small and medium entrepreneurship are observed in the regions where local authorities take care of the problems of small and medium business development, where the

structure of regional authorities contains separate department on entrepreneurship issues and where during last years local budgets allocated costs for realization of programs. Moreover, modern regional target programs have clear structure and priority tasks provided in them are of more concrete and system nature that enables optimization of resources flows movement and achievement of positive social and economic effects.

Basic factors that promote improvement of regional programs quality and increase of their efficiency are the following [Shvets', 2003, p. 109]:

1. Creation of the structure of local authorities within a separate department on entrepreneurship development;

2. Activation of commissions and committees on entrepreneurship development at regional councils;

3. Allocation of funds from local budgets for implementation of program measures;

4. Forming of regional programs according to methodical recommendation developed by the Cabinet of Ministers;

5. Creation in the regions of the mechanisms of obtaining and processing of operational information from districts and cities on the state of small and medium entrepreneurship development;

6. Attraction of public organization to development and realization of programs of small and medium entrepreneurship support and promotion of self-governing organizations' and state authorities' cooperation improvement.

In the countries of Central and Eastern Europe, interregional economic integration is also very important as far as it promotes openness of regions, creates favourable conditions for cooperation of local authorities, scientific and educational organizations and business structures that possess management, knowledge, new technologies and necessary capital in order to realize their comparative competitive advantages. Such cooperation is directed at the coordination of their mutual efforts and conducting of coordinated measures in different spheres of vital activity for solution of common problems of cooperating regions in the interests of local communities. It also promotes expanding of possibilities for SME activity.

We can name several reasons of special attention to small and medium enterprises. Firstly, these enterprises due to their scale possess high adaptation possibilities and have relatively lower expenditures that is doubtless advantage in production branches with high innovative dynamics. Secondly, SMEs that are attracted by large business in the role of subcontractors are seen and serve (especially in the countries of the third world) as sort of the barrier or buffer that can reduce consequences of market failures and crisis for large business. Thirdly and concerning primarily developed countries, MSE is the most efficient developer

of technologies and innovative products with huge commercial risks. In these cases SME undertakes basic part of risks and if new products confirm their market attractiveness the large corporations expand production. In this case SMEs perform the role of special explorers of new markets [Bubenko, 2002, p. 67].

Obvious expansion of demand on low-volume and even singular production oriented at consumption by narrow groups of population and individual consumption is another new aspect of small and medium enterprises efficiency in developed countries. Small economic firms become not totally equal at least recognized helpful partners in relations with large business. The rivalry between SMEs and large enterprises almost vanishes and small business starts to play the role of a piercing economic system agent that links producers and consumers, sellers and buyers.

Considering the place of small firms in modern world it is worth mentioning different influence of such enterprises on the dynamics of general economic situation changes in the countries that are located at different stages of economic development. In poor countries small business is mainly oriented at meeting the needs of population for traditional goods and services with low prices. The issue of production quality is not of top priority; production is low-tech and labour is semi-skilled. Servicing of mass low-income consumer reasonably makes such small firms the most conservative element of industrial structure. The other situation is in industrially developed countries, where, as we have already mentioned, small enterprises closely cooperate with producers of up-to-date goods and often are sort of innovative laboratories.

Taking into consideration the abovementioned, it is worth mentioning that forming of high technological competitive environment requires creation of relevant institutional structures that stimulate innovative activity and systemization of legislation in this sphere. Today, we need to provide a significant orientation of large central laboratories and branch institutes at the work with small and medium enterprises for knowledge could go beyond the limits of these organizations and freely circulate in society and economy. For example, by its natural wealth and human, intellectual, scientific and production potential Ukraine is able to grow economically doubling GDP and even more during 10 years. For this, we need to bring small entrepreneurship and its innovative sector to the phase of intensive development.

However, to implement regional innovative business-projects local authorities have to provide creation of favourable innovative environment in the region that can be achieved due to following measures:

- Granting ground areas to scientific and research and other innovative structures on preferential basis;
- Organization of different presentations, seminars, negotiations, etc;

- Granting guarantees of investment for the most important innovative and investment projects;
- Preferential equipment rental for R & D;
- Training of companies' managers on the issues of innovative processes activation and forming of innovative culture;
- Rendering exhibition and advertising services;
- Access to information basis;
- Preferential rental of office and production premises for manufacturing of probing production lots.

Thus, forming the conditions for development of entrepreneurship on intellectual basis has to be main strategic task of local authorities of any region. This obvious truth has to be in the center of attention of educational, cultural, scientific, technical and other polices both at state and regional level. For this, we should adjust legislation, scientific and research works, regional management, educational system, public opinion, etc. Only the positions of consistency and joining of all society efforts the favourable environment for elaboration and realization of efficient strategy of intellectual potential development as the basis for economic growth and national security can be created.

According to this it is very important to choose reliable vector of intellectual potential development policy that will encompass all the levels of economic activity and social management taking into consideration regional and local peculiarities of social and economic processes. Meanwhile, according to available information, the mentioned sphere often does not have necessary accuracy and transparency and program provisions lack realistic orientation with the view to national economy development considering globalization processes.

The following are basic tasks of local self-governmental bodies on development of intellectual potential of the region to our opinion:

- Essential improvement of material and technical base of educational establishments of all levels, primarily providing of research laboratories with modern equipment;
- Providing of in-time and quality information by leading progressive directions in world and development of informational networks;
- Improvement of the system of intellectual property rights protection and adaptation of national legislation to international norms;
- Increase of prestige and promotion of activity of scientific and research establishments.

Creation of integrated informational, analytical and communication network is also very important task of intellectual potential development in the region. Certain organizational institution that would create accumulating initiatives and

make «critical» corrections in necessary place and time has to be created to link developers and consumers of new technologies in this network and maintain its functioning at constant basis.

Moreover, in order to activate entrepreneurship activity in the region, primarily at intellectual basis, local self-governmental bodies have to create relevant divisions, namely coordinating centers of local business development (LBD).

Basic aims of LBD Coordinating center are: initiating, support and distribution of information on cooperation and exchange of experience between administrations and institutions of other regions and states.

Main functions of LBD Coordinating center should be:

- Promotion of regions at national and international levels with the aim to attract investment resources and increase their role in external environment;
- Distribution of advertisement materials and publications and setting Internet-site;
- Organization of training cycles for entrepreneurs on innovative projects and programs of business development;
- Forming data bases on business-information of home and international institutions that support regional and local development;
- Organization and co-organization of conferences and seminars;
- Presentation of national institutions as participants of LBD projects and regions both in the country and outside;
- Organization of mounts during regional, national or international fairs and forums;
- Organization of scientific-production missions in the country and abroad;
- Development, support and improvement of access of native scientists to all research directions of leading and most progressive countries of the world based on European countries experience;
- Searching for the partners for cooperation of local firms and scientific and educational institutions.

Role of LBD Coordinating center in innovative sphere also lies in forming of expert council. It should encompass representatives of science, authorities, business and public organizations. Aim of expert council activity consists in evaluation and choosing of pilot innovative projects that have to be implemented within LBD. The criteria for the choice of innovative project are the following:

- Duration of innovative project life cycle;
- Structural complicacy of product;
- Cost of innovations;
- Payback period of the project;

- Readiness of product;
- Novelty rate;
- Distribution perspectives;
- Availability of analogues or similar products;
- Period of project realization;
- Risks.

In addition to abovementioned, LBD Coordinating center activity directions are:

- Accumulation and analysis of information;
- Issuing of information reports and bulletins, maintenance of web-page, conducting of joint measures with educational establishments, scientific institutions and other organizations, participation in conferences and forums, etc;
- Conducting consultations in the center through e-mail or telephone, publishing manuals, etc;
- Searching for the partners;
- Promotion of infrastructure modernization and establishing and intensification of scientific, production, commercial, social and ecologic cooperation with the institutions of adjacent regions in the context of LBD;
- Creation of data bases of Ukrainian scientists, notification about the propositions of foreign partners, sending partner organizations abroad of the propositions of native scientists, etc.

In order to improve LBD Coordinating center work it is necessary to create in its structure the data bank of scientific, patent and search information. This instrument aims to accumulate information and references to different resources that are created at interregional and national levels.

This Internet-instrument must be formed for simplification of information necessary for entrepreneurs for development of their professional career, in particular: scholarship propositions, employment possibilities, information on legal and administrative norms of regional and state levels and possibilities of participation in investment projects. It is also reasonable from the viewpoint of science and practice to form the catalogues of demand and supply of innovative production and results of R & D.

Therefore, cooperation of entrepreneurship and scientific structures and local authorities in order to develop innovative activity in the region provides:

- Improvement of investment climate;
- Development of investment infrastructure;
- Growth of innovative potential of entrepreneurship structures;
- Increase of innovative culture level;
- Increase of innovative product volumes.

At regional level we should maintain the justification of choice of perspective directions and organizational and economic measures on conducting of structural processes and improvement of business-climate taking into consideration branch and territorial priorities of region's development.

CONCLUSIONS

Thus, processes of efficient forming and successful functioning of entrepreneurship activity integrated field in the region requires accurate planning and coordination of all strategic programs and their elements – target programs of tactical nature, control for their implementation, in-time introduction of changes and amendments, etc, in other words the whole spectrum of management activity.

LITERATURE

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