

SCTCMG 2019
**International Scientific Conference «Social and Cultural
Transformations in the Context of Modern Globalism»**

**PUBLIC ENTREPRENEURSHIP AS A FORM OF ACTIVITIES OF
PUBLIC INSTITUTIONS**

Ibragim Idilov (a, c)*, Abu-Salich Kagermanov (b)

*Corresponding author

(a) Kh. I. Ibragimov's Complex Research Institute of the RAS, 21a, Staropromyslovskoye Highway, Grozny, 364051, Russia, 010885@list.ru, +7 (8712) 22-26-28

(b) Chechen State University, 32, Sheripov, Grozny, 364024, Russia, maret_fil@mail.ru, +7 (8712) 29-00-04

(c) Grozny State Oil Technical University n.a. Millionshchikov, 100, Isaev st., Grozny, 364024, Russia
umoggni@yandex.ru, (8712) 22-36-07

Abstract

This article analyzes the nature of public entrepreneurship as a special type of economic and legal activities of government agencies. Based on the analysis of public business activities, characteristics of public entrepreneurship were identified. The state is obliged to regulate the economic component of society, calculate risks, and take measures to mitigate the effects of crises in the economy. The government has to regulate recessions and declines in GDP, provide commensurate assistance and support for the private sector, entrepreneurs who contribute to the development of the national economy. Industries and institutions which are interesting for the government should be expanded, integrated, improved, and regulated. The state makes decisions on minerals extraction. However, the use of natural resources by public enterprises have to be controlled. The government has learned to calculate business risks. However, it is not possible to calculate all positive and negative development scenarios and control all business activities because social orientation of any activity should be a priority in the national development, i.e. national interests should prevail over the commercial ones. Therefore, the government should strive for maximum satisfaction of social needs. The research subject is economic and legal activities of public institutions of the Russian Federation engaged in entrepreneurial activities. The research object is a mechanism for regulating activities of public entrepreneurship. The purpose is to justify the problems of public entrepreneurship of Russia and develop mechanisms for its regulation. The theoretical and methodological basis of the study includes a number of general scientific methods.

© 2019 Published by Future Academy www.FutureAcademy.org.UK

Keywords: State, business, commercial relations, economic development, economic regulation.



1. Introduction

The Russian Federation should take into account international expert research and improve forms and principles of business activities since the use of outdated forms can aggravate the crisis.

Today, public entrepreneurship does not involve only established types of public enterprises. The zones of public influence on the economy are expanding. Analysis of modern forms of public entrepreneurship, their features and development prospects emphasize the relevance of the research topic.

What is the nature of public participation in business?

Business activities of the state as an equal subject of market relations are an obligatory element (Idilov, Abubakarova, & Idilova, 2015; Idilov, Abubakarova, & Idilova, 2017). Since not all economic activities are attractive for businesses, but required for society, government bodies support business activities that satisfy public needs and produce goods and provide services for ensuring public security, implementing socio-economic programs, concerning health care, education, culture and other areas.

2. Problem Statement

The Russian Federation should take into account international expert research and improve forms and principles of business activities since the use of outdated forms can aggravate the crisis.

3. Research Questions

The research subject is economic and legal activities of public institutions of the Russian Federation engaged in entrepreneurial activities. The research object is a mechanism for regulating activities of public entrepreneurship

4. Purpose of the Study

The purpose is to justify the problems of public entrepreneurship of the Russian Federation and develop mechanisms for its regulation

5. Research Methods

The theoretical and methodological basis of the study is the following general scientific methods: analysis, synthesis, comparison, classification; historical, comparative, structural, functional, and systemic analysis; psychological, economic and social methods, traditional analysis of texts and documents.

6. Findings

The Russian Federation should take into account international expert research and improve forms and principles of business activities since the use of outdated forms can aggravate the crisis.

Today, public entrepreneurship does not involve only established types of public enterprises. The zones of public influence on the economy are expanding. Analysis of modern forms of public entrepreneurship, their features and development prospects emphasize the relevance of the research topic.

What is the nature of public participation in business?

Business activities of the state as an equal subject of market relations are an obligatory element (Idilov et al., 2017). Since not all economic activities are attractive for businesses, but required for society, government bodies support business activities that satisfy public needs and produce goods and provide services for ensuring public security, implementing socio-economic programs, concerning health care, education, culture and other areas.

Russian public entrepreneurial activities cannot follow one of the theoretical directions. Since each state develops its own domestic and foreign policies), short-term, medium-term and long-term programs are implemented which are a basis for plans depending on various factors affecting the national economy.

Accordingly, the concepts of management and control which will satisfy social needs and not infringe upon entrepreneurs are being developed. The most effective programs are being implemented. They contribute to GDP and social needs. Various forms of public business activities included in the strategic planning system are required (Degtyarev, 2014).

Thus, the nature of public entrepreneurship is that the state as an active subject participates in the most important sectors, sub-sectors and development institutions, social processes. This happens under direct participation of the state or supervision of government bodies and structures created by the state.

Taking into account that the state controls a lot of enterprises, there are various types of public business activities: production, trading, funding, insurance, mediation, advisory (Idilov, Veselovsky, Pogodina, Askhabov, & Abdulkadyrova, 2015). In addition, public entrepreneurship fulfils both commercial and non-commercial goals.

The state accounts for social needs while private enterprises pursue their own ends. Based on the general concept of entrepreneurship, a private entrepreneur pursues his own ends in order to derive a profit under his property responsibility.

There are the following forms of public entrepreneurship:

- public commercial monopolies;
- public monopolies covering deficit expenses;
- competitive public enterprises covering costs;
- competitive profitable enterprises (Bespalov, 2017).

There is no single model for the development of public entrepreneurship, since different states choose their own directions. For example, in many countries, there is no free education or medicine, due to the fact that the state cannot maintain this sector.

In Russia, the state supports education, sports, culture, medicine, agriculture and other important sectors. At the same time, there is a category of industries that remain under control of the state, and there are public-private partnerships in education and medicine. These legal entities remain under partial state control, have their administrative bodies, constituent documents, but enjoy public support receiving subsidies.

As for direct public entrepreneurship, its peculiarity is the use of rational business methods of public enterprises, taking into account market mechanisms that will allow for implementing state programs, choosing development prospects (short-term, medium-term, and long-term), performing socio-economic functions and meeting national economic needs.

Public enterprises have equal opportunities with other participants of commercial relations. However, public ownership is a commercial interest for economic entities; therefore, it is similar to public entrepreneurship (Grover & Soloviev, 2007). This form of public entrepreneurship is present at the regional and municipal levels. Hence, public enterprises are controlled at the federal, regional and municipal levels.

These enterprises are referred to as public and municipal unitary enterprises because their property is not divided into shares. The name of the owner (state or municipal body) includes the name of this subject. Public and municipal unitary enterprises can be divided into several types.

The first type is organizations based on economic management (municipal and unitary enterprises). The second is organizations based on operational management.

Public and municipal unitary enterprises have a special legal status. They provide certain services, produce certain goods and perform certain works which is a specific feature of commercial organizations whose main purpose is to derive profits. However, they are not the owners of their property which is assigned to them and do not have the right to appropriate the income (Batchikova & Glazyev, 1998). Activities of enterprises are funded from budget funds.

Recognizing the need and creating autonomous institutions, government (municipal) authorities needed non-profit organizations that would perform works, provide services in various areas: education, social protection, health care, science, etc. At the same time, they would be close to the public sphere and partially assume powers of state bodies.

Autonomous institutions influenced the sphere of civilian circulation, penetrated into the public sphere, showed their universal nature as legal entities.

Public entrepreneurship involves using entrepreneurial opportunities and resources to gain profit and meet social needs (Askhabov, Alikhadzhiyeva, & Askhabova, 2015).

The state is the most competitive leader in the market. Modern tools for regulating entrepreneurship are government orders. In the USA, the share of government orders is 20% of the total industrial orders. 90–92% of all goods and services of the national economy are covered by government orders. Scientists concluded that the US federal government uses 1/3 of its resources to replenish the treasury. It is a world leader in the business sphere.

Contract systems for placing government orders are forms of public entrepreneurship through which the private sector is supported.

At the same time, we should not forget that the basis of public entrepreneurship is satisfaction of social needs. The state has to provide decent conditions for the citizens, support education, health care, the environment.

Unfortunately, during the period of the market institutional reforms, the main problems of the structural reorganization of the Russian economy were not taken into account which destroyed basic economic structures (Bespalov, 2017). Experts associate this situation with the inversion type of market transformations combined with globalization processes. As a result of these processes, Russia occupied a niche of countries that are raw materials appendages. The sectoral structure of its economy was determined by the level of external demand for raw materials.

One more consequence of the inversion market transformations was formation of the dual institutional structure of society and business entities aimed at rapid enrichment based on various shadow

schemes. The shadow economy shelters itself behind legal forms - kickbacks, raider business seizures, political power, etc.

Taking into account these circumstances, it should be noted that in order for the domestic economy to get out of the current difficult situation, the use of classical methods of state regulation of entrepreneurial activities will not be sufficient, which is theoretically based on the need for government intervention in economic processes in case of market failures:

- fight against monopolism;
- encouragement or restriction of economic activities accompanied by external effects;
- production of public goods;
- correction of information asymmetry (Deryabina, 2008).

The upcoming global transition processes require large-scale macroeconomic measures for restructuring the economy and ensuring its social direction which will create new institutional conditions for the development of civilized entrepreneurship in Russia.

Thus, public entrepreneurship involves not only activities of the state and municipal unitary autonomous enterprises and institutions performing works, providing services or producing goods. It is a public support of the capital turnover through government orders and contracts, interaction with the private sector in order to ensure social stability.

The state regulates the state economy through activities in key sectors, sub-sectors and institutions participating in all social processes:

- direct control of public enterprises (for example, enterprises of the defense industry);
- partial control over economic entities;
- formation of the staff potential by funding science and education;
- control over monetary resources, government orders and government procurement;
- support for medium and small businesses;
- state entrepreneurship is socially oriented and exists in the sectors which are least attractive for private entrepreneurship (education, health, etc.).

Social needs determine the markets, and dissatisfaction increases costs of raw materials and energy, industrial injuries, additional training of employees who were not properly trained in educational institutions.

Ignoring social needs for stable economic development, preservation of natural resources, social protection programs, health insurance, and quality education, companies are forced to incur significant expenses due to the consequences of public discontent. The social is a factor differentiating firms in terms of competitiveness, creating a sustainable competitive advantage.

The institute for protection of rights and interests of Businesses provided for an administrative and judicial protection procedure. Administrative courts were created in Russia in accordance with the Code of Administrative Justice of the Russian Federation. It is more correct to speak about the pretrial and trial procedures.

According to Article 424 of the Civil Code of the Russian Federation, prices (tariffs, rates, rates, etc.) established or regulated by authorized government bodies are applied in cases specified by law.” The law does not specify which entities are “dominant in the market”. Their dominant position can be

established by anti-monopoly bodies in accordance with Article 6 of the Federal Law "On Protection of Competition" of July 26, 2006. Other regulation methods are not allowed.

At the same time, the law is limited only to the sphere of trade, and does not regulate other types of rights of entrepreneurs.

For example, individual entrepreneurs have the right to make complaints, use alternative methods of protection. Human rights organizations represent their interests.

The role of state regulation of business activities is important in order to implement economic policies and public interests and create conditions for development of entrepreneurship.

7. Conclusion

The following recommendations can be suggested.

It is important to eliminate contradictions between economic efficiency and social justice. During the last financial and economic crisis, businesses that combine the principle of maximizing market value and the principle of maximizing the social value were more successful.

Qualities that reflect significant changes in basic relations should be supported and encouraged by state regulation measures.

It is important to focus the process of state regulation of business activities on the economic restructuring. Political and economic institutions should perform regulatory functions.

It is necessary to use tools of political power, legal elements of the state regulation mechanism to support and develop entrepreneurship with socially important qualities, use economic power, economic elements of the state regulation mechanism to create production and social infrastructure, develop the civilized entrepreneurship.

Taking into account the recommendations of Russian and foreign experts, it is important to develop criteria for assessing the impact of these methods, apply direct and indirect methods for supporting and encouraging entrepreneurship focusing on maintaining socially important functions.

The efficiency of the regulation mechanism depends on the success in combating corruption and creating an effective mechanism for controlling civil society.

Acknowledgments

The research was carried out within the grant from the Russian Foundation for Basic Research (RFBR), project No. 19-010-006-65.

References

- Askhabov, R. Yu., Alikhadzhiyeva, D. Sh., Askhabova, Z. R. (2015). Stages of Development of Local Self-Government in the Chechen Republic". In *Innovations in the formation of a strategic vector for the development of fundamental and applied scientific research in St. Petersburg: "KultInformPres"* (pp. 133–136).
- Batchikova, S. A., & Glazyev, S. Yu. (1998). The effectiveness of government. *Consultbankir*, 73, 79.
- Bespalov, M. V. (2017). *Features of development of entrepreneurial activities in modern Russia*. Moscow: INFRA-Moscow.

- Degtyarev, A. (2014). Contingency between the interests of business and government as a condition for the development of the business community. *Society and Economics. Scientific and practical journal*, 2(3), 156.
- Deryabina, M. (2008). Public-Private Partnership. Theory and Practice. *Issues of economics*, 8, 45.
- Grover, R., & Soloviev, M. (2007). *Property Management. An International Training Course*. Moscow: VSPP.
- Idilov, I. I., Abubakarova, M. M., & Idilova, A. I. (2015). On the issue of assessing the state of the investment climate in municipalities. In *Collection of materials of the international scientific-practical conference "Global Challenges of Modernity and Problems of Sustainable Development of the South of Russia, 14–16 October*. Nalchik.
- Idilov, I. I., Abubakarova, M. M., & Idilova, S. I. (2017). Directions of investment policy in the municipality of Grozny. *Collection of materials of the Annual International Scientific and Practical Conference* (Smolensk, 2 June). Moscow.
- Idilov, I. I., Veselovsky, M. Y., Pogodina, V. V., Askhabov, R. Y., & Abdulkadyrova, M. A. (2015). Development of Financial and Economic Clusters in the Region. *Mediterranean Journal of Social Sciences*, 6(3), 116–123.