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**COMPETITIVENESS OF SMALL ENTERPRISES UNDER
CONDITIONS OF ENVIRONMENTAL RESTRICTIONS:
REGIONAL ASPECTS**

Vitaliy Y. Burov (a)*

* Corresponding author

(a) Trans-Baikal State University, Aleksandro-Zavodskaya Str., 30, Chita, Russia, burovschool@rambler.ru,
+79148969834

Abstract

The article concerns the problem of ensuring of competitiveness of small enterprises in the presence of environmental restrictions. The main negative factors that destabilize the formation and development of small entrepreneurship are shown, including the lack of reliable social security and entrepreneur security, the instability of budget financing of federal and regional programs for supporting small enterprises, the existing environmental restrictions, etc. It is revealed that the shadow economy has a direct impact on the level of competitiveness of small business entities. It is noted that under environmental restrictions, the activity of small enterprises should be focused on the sustainable natural resource management. It is shown that one of the alternative pathways of development of areas under environmental restrictions is a "green economy". It was revealed that increasing the competitiveness of the small entrepreneurship sector should be associated with a more significant role of territorial-administrative entities in the socio-economic development of Russian society, including problems of economic protection of territories with environmental constraints. A new system of effective management of competitiveness of small enterprises at a regional level under environmental restrictions, based on the concept of the state as a regulator, is proposed.

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Keywords: Competitiveness, environmental restrictions, small entrepreneurship, economic security.

1. Introduction

The significance and the urgency of the research issue are defined, on the one hand, by the increasing need to ensure the competitiveness of small enterprises, peculiarities of development of the market



mechanism in Russia and increased competition. On the other hand, they are defined by the large-scale shadow economy along with a need for scientific approaches development in the field of theory and methodology of management of competitiveness of small enterprises under environmental restrictions. Under today's conditions of increased volatility and aggressiveness of the environment, that is predetermined by the economic sanctions of the European Economic Union and the United States of America, the problem of sustainable development of small business becomes especially urgent.

One of the main conditions for the formation of a competitive market environment is the forming and development of free small entrepreneurship, on which the effectiveness of the socio-economic regions development depends.

And it is confirmed by the Russian scientists' researches. Thus, Matveev & Ovchinnikova (2015) considered that "... Small enterprises contribute the democratization of market relations, the formation of a competitive environment ... attach the housekeeper properties of adaptability and flexibility" .

According to Pinkovetskaya (2015) "The crisis in the Russian economy can be overcome due to the transformation of its structure on the basis of increasing the role of small and medium entrepreneurship".

The environmental restrictions, which are associated with the establishment of a special regime of economic activity in the region, influence strongly the level of competitiveness of small enterprises. The impact of this factor is expressed in additional expenses, losses and lost profit of the entities of small businesses, particularly the region's economy as a whole. Therefore, for increasing competitiveness of the sector of small entrepreneurship, the region with environmental restrictions is required to use specific organizational schemes and mechanisms of economy management

2. Methods

In the process of research modern methods of scientific cognition of economic processes were used: a systematic approach when studying the problems of economic activity of small enterprises; a logical approach - when developing factors of impact indicators, indicators of development of competitiveness of small entrepreneurship in the region; an economic and statistical approach – when analyzing and assessing the level of development of small entrepreneurship in the region and the scale of its shadow economic activities; an approach of economic-mathematical modeling - when assessing the factor influence on the development of small entrepreneurship; an expert approach - when assessing the main negative factors that destabilize the formation and development of small entrepreneurship.

3. Results and discussion

The small entrepreneurship sector is an important factor in the development of the Russian economy. Small entrepreneurship is characterized by high flexibility, innovativeness and their stable functioning, which contributes to economic growth and is especially important under conditions of environmental restrictions.

Experience of the functioning of the Russian small entrepreneurship under the conditions of transition to market relations reveals the ineffectiveness of the state support of small business. And it is confirmed by the contribution of the small entrepreneurship sector in the gross domestic product, which is about

20% versus 50-70% in developed countries. The number of small enterprises in 2010-2015 per 1000 inhabitants in Russia is 6-7, while abroad - 25-30 (USA, Japan, UK and others.). In most developed countries, small business creates about 80% of workspaces, in Russia — about 20% (Burov, 2014).

The level of competitiveness of small enterprises depends largely on the entrepreneurial climate - the more favorable it is, the higher the final economic result of the activity is. External factors, which are affecting the competitiveness of the entities of small business, are associated with the elements of regional and institutional environments. And we can note the existing environmental restrictions among them.

Our research revealed the main negative factors, which destabilize the formation and development of small entrepreneurship: the imperfection of the tax system; instability and imperfection of the regulatory and legal framework; administrative barriers; lack of reliable social protection and security of businesspeople; underdevelopment of the mechanisms of financial and credit support and of the insurance of risks of small enterprises; limited access of small enterprises to the production facilities, property; inefficient mechanisms; instability of budget financing of federal and regional programs to support small entrepreneurship and other factors. The introduction of economic activities in the areas with environmental restrictions should be recognized as an additional negative factor for the environment.

Environmental restrictions of environmental management imply a special regime (regulation) of using natural resources and their protection from harmful influences, which is provided by a system of legislative, regulatory or organizational and economic measures. These measures prevent the progressive destruction of ecosystems and provide the continuation of the implementation resource, environment-forming and environment-oriented functions by them (Zhigzhitova, 2010).

Analysis of the development trends of the modern Russian entrepreneurship allows us to reveal that one of the main trends is the shadow economic action, which is characterized by its consistency and penetration in all sectors of economy and spheres of society. Herewith, the regularity of the shadow economic relations is justified by the essence of entrepreneurial activity, which is risky and has making a profit as its main goal.

The current situation affects directly the level of competitiveness of the entities of small entrepreneurship. Furthermore, it is necessary to note that the competitiveness under these conditions is not achieved due to equal conditions of activity, but due to corrupt relations that leads to the appearance of imperfect competition - supply and demand for goods and services are defined not by the market, but by the corruption mechanism.

Applied to the entity of small entrepreneurship at the regional level, competitiveness, according to the author, denotes the ability of small enterprises, using their potential, innovative nature of their activity, to react quickly to changes in the socio-economic and institutional factors of the external entrepreneurial environment; to develop and to hold competitive advantages and to improve its position (share) in the structure of the regional economy due to creation products that according to price and non-price characteristics is more attractive for consumers.

Let us consider the activities of the structures of small enterprises in Irkutsk region and the Republic of Buryatia, on the territory of which Lake Baikal is located – a world heritage. Every year, Lake Baikal is visited by millions of tourists. So, according to monitoring data, in 2015, Irkutsk region was visited by 1.5 million tourists, Buryatia – by almost one million, and most of them stop at the shores of Lake Baikal.

The development of tourism is a priority sector for these regions, what, on the one hand, provides the creation of conditions for development of small tourism entrepreneurship, but, on the other hand, local authorities make high demands on nature conservation and providing environmental safety.

As Porfiriev (2016) notes: "It is connected primarily with growing threats to the environment, first of all – the sustainability of ecosystems, which provide conditions and resources for the reproduction of material goods and for human vital activity".

The protection mode of Lake Baikal is set by the federal law (1999) dated from 01.05.1999, № 94 "On Protection of Lake Baikal". According to art. 5 of the Law, on the Baikal natural territory, the elimination and conversion of environmentally dangerous economic facilities, the increased demands on the economic entities in term of compliance with the maximum permissible harmful impacts on the unique ecological system of Lake Baikal are provided.

Entrepreneurial activity under the conditions of environmental restrictions should be focused on providing environmental safety, which, according to Smagulov & Karajanov (2013), «is a component of the security of a state, a society and a particular person. Within its framework, demands to variety human activities are made, restrictions and prohibitions are set».

Economic activity in the territories, which adjoin Lake Baikal – one of the world's major sources of fresh water — is associated with one of the most important factor of the national security of any state in the future - the presence of fresh water.

Today, a large number of people are suffering in varying degrees from a lack of fresh water – about 1.1 billion. Considering this fact, one of the Millennium Development Goals, which were accepted by the UN Member States, is providing environmental sustainability. A goal to reduce the proportion of people who do not have sustainable access to safe drinking water by half was confirmed.

Under the conditions of environmental restrictions, the action of small enterprises should be focused on the rational environmental management that should proceed from the territories' and economic entities' interests.

Ineffective competitiveness of small enterprises under conditions of environmental restrictions forces them break the law, thus leading to the shadow action or economic crimes in this area. As the author said earlier, "the prevention of economic criminality should be based on the well-timed detection and neutralization of its causes and conditions and should be considered as one of the most important direction of preventive work of public (law enforcement and supervisory) authorities and non-state security structures (Burov et al., 2014).

Environmental crimes are a socially dangerous phenomenon that is stipulated for big negative consequences for the environment and lead to a deterioration in the quality of habitat. This affects lifetime, leads to the degradation of natural resources (soil fertility, forests, fish resources etc.) and to the increase of the risk of large man-made disasters.

According to AP Anisimova, economic reasons of the environmental crime lie in the fact that the mechanism of economic regulation of environmental protection, which was adopted in Russia, works very poorly. The Federal Law "On Environmental Protection" contains a definition of "best available technology", which is understood as a technology based on the latest achievements of science and technology, aimed at reducing the negative impact on the environment, and having fixed time of the practical application with consideration of the economic and social factors (Anisimov, & Melikhov,

2013).

One of the sectors of the economy where small enterprises are full business entities is the forest industry. Considering the factor of Baikal, boundaries of the Baikal natural territory were established legally and a ban on commercial logging in the central ecological zone was introduced.

In Buryatia and Irkutsk region, clear-cutting is limited, volumes of environmentally justified cuttings of intermediate use have increased; environment-friendly machinery and harvesting technology are introduced. That has led to an increase of the costs of harvesting and processing of timber and, accordingly, an increase of the incidence of illegal logging. It has given rise to the phenomenon of "black lumberjacks". According to expert surveys and empirical researches, the shadow economic activity in the forestry sector among small enterprises and informal physical communities reach not less than 50% of the general volume.

Only in Irkutsk region in 2012, the damage from illegal timber harvesting amounted 1.2 billion rubles, while the volume of illegally harvested timber achieved 254.221 m³ only in one year (Akberdin, 2013).

And here we should agree that "environmental safety is exposed increasingly to risks in connection with the activity of organized forms of crime in the area of illegal logging, which exist under the guise of law enforcement agencies and the authorities." (Lavygina, 2013).

One of the alternative directions of development areas with environmental restrictions is a "green economy", where one of the main entities of the activity will be a small entrepreneurship.

"Green" economy is treated in a number of authoritative international documents as a variant of the new socio-economic model, which is focused on the principles of sustainable development and uses actively innovative "green" technology (Knyazeva & Kirusheva, 2016).

In the development of the small entrepreneurship sector as a major subsystem of the market economy, the existing unevenness and contradictions lead to the accumulation of risks and reduction of economic security of the area. It is necessary to emphasize that the economic activities of small enterprises in terms of environmental constraints are associated with ensuring its economic security. And here we note the dual role of small enterprises: on the one hand, they need to ensure their own economic security, but, on the other hand, they have to contribute to the economically secure functioning of the regional socio-economic systems that promote development of the territory's economy with environmental restrictions.

In the domestic economic sphere, business security is determined by natural, technical-technological, infrastructural, social and other environmental factors and by the level of external protection from all sorts of destabilizing and destructive effects. At the same time, the existing system of state regulation of economic relations does not correspond to the interests of business entities (including small entrepreneurship), does not create the necessary conditions and prerequisites for its formation and development, and does not contribute to the reduction of its shadow activities and improve the safety level of economic activity of business.

4. Conclusions

Researches show that a new reasonable system of effective management of competitiveness of small enterprise organizations is required at the regional level under the conditions of the environmental restrictions. And the foundation should include a concept of the regulatory influence of the state, which is

aimed at minimizing the economic and environmental crime in order to provide national, economic and environmental security.

The author completely agrees with I. Wallerstein, who offers to focus on an integrated approach to overcome the environmental challenges, in which framework the intellectual, moral and political aspects of the solution of the appropriate problems would be united (Wallerstein, 2006).

An important place in the concept of socio-economic development should be given to a cooperation based on the principles of the green economy, which provides the development of the small entrepreneurship sector, subject to the conditions of the protection of the environment, the biological diversity and the combating climate changes.

A promising direction of increasing the competitiveness of the areas with environmental restrictions is to develop innovative technologies of environmental conservation that provide the creation of innovative productions on the base of using non-traditional crude materials and materials, the introduction of closed cycles of technological processing. To encourage the introduction of resource-saving and environmentally friendly technologies, it is necessary to make changes in the regulatory enactments of such territories of the state support of investment projects, which are relating to the assessment of environmental efficiency and selection criteria.

The number of environmental violations and crimes committed in the territories under environmental restrictions demonstrates the relevance of creating a favourable economic and legal environment for small enterprises under these economic conditions. This provides certain forms of preferential treatment in the area of taxation, along with increasing of the level of social protection and business security, the introduction of well-developed mechanisms of financial and credit support, insurance of small enterprises against risks and reducing restrictions on access for small enterprises to the production facilities or property.

The increasing small entrepreneurship sector competitiveness must be associated with a more significant role of administrative-territorial formations in the socio-economic development of the Russian society. It is necessary to include the problems of economic security of areas with environmental restrictions to them.

Relevance and peculiarities of problems' solution, which were raised in this paper, are stipulated for the realities of Russian life, which highlights the problems of economic security of areas and of business entities. And it determines the necessity to create the appropriate models and mechanisms of its implementation, aimed at a comprehensive solution to the identified problems, including the possibility of regulating the processes of economic development of areas with environmental restrictions and ensuring its economic security. One of such models can be, for example, a system of efficient cooperation based on the balance of economic interests in the territorial sphere of the following components: territorial authorities, public organizations and small entrepreneurship sector.

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