

## SCTMG 2020

### International Scientific Conference «Social and Cultural Transformations in the Context of Modern Globalism»

## PROSPECTS FOR USING SOCIOLOGICAL RESEARCH IN ASSESSING REGION ECONOMY (FOR EXAMPLE, SMES)

Tatyana Valerievna Kurakova (a)\*, Sofia Victorovna Kurakova (b), Alena Valerievna Chemulova (c)

\*Corresponding author

(a) Kuban State Technological University, 199/1, apt. 154, Turgeneva St., Krasnodar, Russia  
13ebek9@mail.ru,

(b) Kuban State Technological University, 199/1, apt. 154, Turgeneva St., Krasnodar, Russia  
13ebek9@mail.ru,

(c) Kuban State Technological University, 11, apt. 26, Parkovaya St., Krasnodar, Russia  
chemulovaa@yandex.ru

### *Abstract*

The present article is devoted to the prospects for the use of sociological research in assessing complex economic phenomena using the example of analyzing the development efficiency of small and medium-sized enterprises in the Krasnodar Krai. The authors consider the concept, the role of SMEs in the development of society, as well as the features of the legal regulation of small and medium-sized businesses in the Russian Federation. In the Krasnodar Krai, the main methods for assessing the performance of SMEs are statistics tools, however, the authors note that the use of sociological research as the main method for analyzing economic processes or along with statistical methods in the region will provide a more detailed picture of the current state of the economy. To justify this judgment, the authors carried out a direct analysis of statistical data reflecting the level of SMEs development in the Krasnodar Krai. While the analysis of statistical data showed the positive state of SMEs in the region, a sociological study revealed a number of important problems, such as: a decrease in the real income of SMEs caused by the unstable economic situation in the country as a whole and the high tax burden, low efficiency of government support measures, and lack of SMEs interest in the implementation of innovations. Based on the results of the study, recommendations aimed at improving the condition of SMEs in the region were given and a methodology for the analysis of economic phenomena using sociological methods was formulated.

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**Keywords:** Small business, medium business, sociology, in-depth interview, Krasnodar Krai, government support.



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## **1. Introduction**

Many Russian and foreign scientists consider small and medium-sized enterprises as the basis for a stable socio-economic environment (Bryukhanova et al., 2018). For example, Goncharova (2017) identifies the following groups of small business functions: economic (increasing the flexibility of production, strengthening the economic base of territories, using local sources of raw materials) and social (creating jobs, increasing the number of self-employed citizens, preserving villages and small towns).

A number of scientists also highlight the special role of small and medium-sized enterprises in the development of innovation. For example, Vilenskiy (2018) points out the possibilities of small business to generate innovation by establishing links between research structures and large business.

## **2. Problem Statement**

Since the development of small and medium-sized enterprises is important for stabilizing the socio-economic situation in the country (region), the criteria for classifying economic entities as small and medium-sized businesses and an effective mechanism for monitoring and evaluating the effectiveness of small and medium-sized entrepreneurship should be established (Klimanov et al., 2019).

## **3. Research Questions**

In the Russian Federation, the basic document regulating the small and medium-sized businesses is Federal Law dated 24.07.2007 No. 209-FZ (as amended on 02.08.2019) “On the Development of Small and Medium-Sized Enterprises in the Russian Federation” (hereinafter – the Federal Law). According to this Federal Law, SMEs include organizations and entrepreneurs with the average number of employees for the previous year not exceeding 100 people (small business) and 250 people (medium business), as well as income not exceeding the limit values established by the Government of the Russian Federation (Dolgorukova, 2016).

In accordance with the Federal Law, the main goal of state policy in the field of SME development is to provide favorable conditions for their development, as well as to increase the share of goods (works, services) produced by small and medium enterprises in the gross domestic product (Kartaev & Polunin, 2019).

Monitoring the development of small and medium-sized businesses is carried out through continuous and selective statistical observations (Article 5 of the Federal Law). Continuous observations are carried out once every 5 years, selective ones are carried out annually (quarterly, monthly).

## **4. Purpose of the Study**

The objective of this work is to determine the prospects for the application of methods of sociological research instead of or on a par with statistical methods of analysis in assessing complex economic phenomena, such as small and medium-sized enterprises (in the region), using the example of the Krasnodar Krai; and based on the results obtained, develop recommendations for improving the

methodology for the study of economic processes, for being used by state and municipal authorities. To achieve this goal, it is necessary to perform the following tasks: conduct a comparative analysis of statistical data relating to the SMEs activities, conduct a sociological study aimed at studying the current state of SMEs in the region and determine the prospects for its development, and develop direct recommendations based on the findings.

## 5. Research Methods

In the process of conducting the research, the following methods were used: analysis of the series of dynamics (calculation of the absolute deviation and growth rates) for the period 2017–2018 (Neganova & Dudnic, 2019); a sociological survey (in-depth interview) according to a pre-developed scenario (guide), the sample of which was 10 representatives of small and medium-sized enterprises of the Krasnodar Krai, doing business in the following sectors: agriculture, retail, services, catering, industry. The sampling was carried out using the “snowball” method. As a result, it included 61 % of small enterprises and 39 % of medium ones. The choice of this method is justified by the fact that it is difficult to identify the representatives of the target group, because the availability and willingness of respondents to face-to-face communication is quite limited (Medyantseva et al., 2018).

## 6. Findings

The analysis of statistical data showed the following trends: the total number of SMEs for the period 2017–2018 remained virtually unchanged, and the total turnover of their revenue increased by 4.7 %. There is also a significant increase in the performance indicators of state support provided to SMEs, specifically, the growth rate of the volume of soft loans for SMEs amounted to 49.1 %, and the volume of guarantees to 29.9 %. Based on the analysis, we can conclude that the level of development of small and medium-sized enterprises in the Krasnodar Krai is quite stable, and government support measures are provided systematically.

However, the conducted sociological study demonstrates a completely different picture of the state and development of small and medium-sized businesses in the region.

Most of the informants note a strong deterioration in the state of their business over the past 3 years: a sharp drop in profits, a decrease in the number of customers and purchases, as well as an increase in the tax burden. Most of the respondents note that in the region there is a tendency to stagnate the development of small and medium-sized businesses in various economic sectors. The most depressed, according to informants, are industry, venture capital business and IT-sphere. The leading positions are occupied by the production and sale of agricultural products, as well as the services and retail sectors. 10 out of 10 respondents noted a high level of competition in their economic sectors.

The most important negative factor influencing the development of small and medium-sized enterprises in the Krasnodar Krai is the unstable economic situation in the country as a whole. This aspect was identified by 7 out of 10 respondents to have the strongest influence on entrepreneurial activity.

The next most significant factor hindering the development of small and medium-sized enterprises in the region being an ineffective tax policy was noted by 6 out of 10 respondents, namely, a high tax burden and an insufficient number of federal and regional tax benefits and tax “holidays”, in particular for

entrepreneurs, who only started their activity. According to 9 out of 10 respondents, the ineffective tax policy of the state leads to the fact that the majority of small and medium-sized businesses go into the “shadow sector” of the economy.

The third reason having a negative impact on strengthening the position of small and medium-sized businesses is the decline in consumer demand, especially in the B2B sector.

Regarding the issue of introducing innovations in current entrepreneurial activity, only 2 out of 10 respondents answered that they had already implemented innovations in their business, carried out automation of production and were going to continue to do it in the future.

The remaining respondents are sure that innovation is not their goal under the conditions of survival since they only increase production costs and do not bring economic benefits.

10 out of 10 respondents gave a negative answer to the question whether they used any tools of state support, and even never thought about taking advantage of any such preferences (despite the fact that many of them were in rather critical financial situation). 8 out of 10 respondents noted that they were not aware of the existing government support measures for small and medium-sized enterprises in the region, and also that an attempt to obtain financial and non-financial assistance could lead to a high degree of probability of even more problems.

Respondents also noted that, in their opinion, the system of distribution and redistribution of financial assistance is highly corrupt, the process of obtaining state regional support is significantly bureaucratic (unclear requirements for candidates, composition and procedure for submitting documents, etc.); in the case of receiving any type of financial regional assistance, the degree of control on the part of supervisory authorities and the number of inspections increase, which very often leads to even worse situation; subsidies are presented in very small quantities and only for priority sectors (for example, agriculture).

Considering the question of the prospects for the development of small and medium-sized businesses, one can note different opinions depending on the industry.

Thus, respondents of the field of public catering and retail trade noted that in the coming years there will be a negative dynamics in the development of small and medium-sized enterprises, but in the agricultural sector, on the contrary, there is an opinion on increasing entrepreneurial activity in the region.

9 out of 10 respondents are sure that the products manufactured by small and medium-sized businesses of the Krasnodar Krai have no prospect for entering international markets (except for agricultural products).

Most representatives of small and medium-sized businesses talk about the impending sales markets narrowing, and that almost all sectors will stagnate, with possible improvement after 2025, when the “Strategy for the development of small and medium-sized enterprises until 2030” is partially implemented.

As a result, we can distinguish the following aspects of the current state of small and medium-sized businesses in the Krasnodar Krai, as well as factors influencing it: a decrease in the income of small and medium-sized businesses caused by the deterioration of the economic situation in the country, increased tax burden and reduced consumer demand; low interest of SMEs in introducing innovations; State support measures are practically not used by SMEs for a number of objective (increased

supervision) and subjective (distrust of state and municipal authorities) reasons; foreign economic activity is poorly developed among the regional SMEs.

Thus, a comparative analysis of statistical data, and a sociological study, allowed us to note that the use of sociological research methods is a more effective tool for assessing complex economic phenomena (in particular, SMEs). The authors believe that in order to obtain an objective assessment of the current state of SMEs and develop adequate measures for its subsequent improvement, state and municipal bodies should conduct sociological studies (on their own or in conjunction with the analysis of statistical data) on a systematic basis. The following arguments can be made in favor of this recommendation: while statistical methods provide only numerical data, sociological polls make it possible to understand the causes and motives of respondents' actions; there is a high guarantee that the information received from respondents in the process of anonymous interviewing will be true; in the framework of a sociological survey, you can ask any questions regarding the activities of respondents, depending on the purpose of the study, while statistical information is strictly formalized; in the framework of a sociological study, in particular, an in-depth interview, it is possible to find out their opinions, wishes, preferences, needs of respondents directly involved in business, to develop further recommendations.

## **7. Conclusion**

Based on the results of the study, 2 types of recommendations were formed: recommendations aimed at improving the condition and stimulating the development of small and medium-sized businesses in the Krasnodar Krai; as well as recommendations on improving the methodology for assessing economic phenomena in the region by state and municipal bodies.

The first group of recommendations includes: conducting scheduled inspections of the work of funds and other organizations involved in the distribution of state aid to small and medium enterprises, as well as other anti-corruption measures; conducting free lectures and seminars aimed at informing entrepreneurs about their rights when interacting with regulatory authorities; conducting an extensive social advertising campaign in order to tell the largest number of small and medium-sized enterprises about existing measures of state support and to form a favorable attitude of SMEs in requests for state assistance; introduction of a tax "holidays" mode (in accordance with the Federal Law "On Amendments to Part Two of the Tax Code of the Russian Federation" dated December 29, 2014 No. 477-FL) in the Krasnodar Krai for SMEs under the simplified taxation scheme and expansion of the types of activities for which the application of tax "holidays" is supposed when applying the patent system of taxation; increase in the volume of regional subsidies and their distribution in different sectors (and not just priority ones).

Let us represent a methodology for the analysis of economic phenomena, recommended for use by state municipal authorities, consisting of three successive stages.

At the first stage, statistical data (for example, analysis of series of dynamics) is grouped and analyzed. At the second stage, a sociological survey is carried out. In order to obtain the most accurate statistics, it is desirable to conduct mass surveys that will identify trends in the development of the economic phenomenon, by attracting the maximum possible number of respondents and the formation of

various probability samples; however, conducting a mass survey is quite time-consuming and expensive, so expert polls or surveys conducted using the snowball method in the form of an in-depth interview can also be used to obtain an effective statistics.

At the third stage, recommendations are developed based on the findings of a sociological study.

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