

THE PROBLEMS OF THE DEVELOPMENT OF PRIVATE ENTERPRISES IN PSKOV REGION

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Nowadays private enterprises contribute to the development of the regional economy. They fulfill economic and social functions. However, they face difficulties in their development. To solve the appearing problems the formation of rational registration analytical system in private enterprises is needed.

Private business is one of the most pressing problems of today. It can be explained by the fact that it is the private business in various spheres of economic activities that can provide real conditions for the development of the economy and finding the way out of the economic crisis in Russia.

Small enterprises are steadily fulfilling the functions of capital accumulation, smoothing sharp social conflicts and providing the flexibility of the regional economy as well as the economy of the country.

The level of private enterprise development can show the potential of the regional economy and the economy of the country to adapt to the changing economic conditions. In the recent years we can observe a steady tendency of intensification of the influence of private enter-

prises on the development of the economy of the country and the regions as well.

In particular, by the 1st of January 2008 in Pskov region 3.9 thousand private enterprises had been carrying out their activities (that is 239 enterprises more than in 2006).

The tendency of the development of private enterprises is characteristic not only for the Pskov region but for the other regions as well. The share of private enterprises in Pskov region is only 2% of all the private enterprises in the Northwestern Federal District (in 2006 - 2.3%). The the average employees payroll (not counting external by-workers) and the turnover of the private enterprises in Pskov region make up 3.2% and 1.9% accordingly.

Small-scale business in our region operates mostly in wholesaling and retailing; auto and

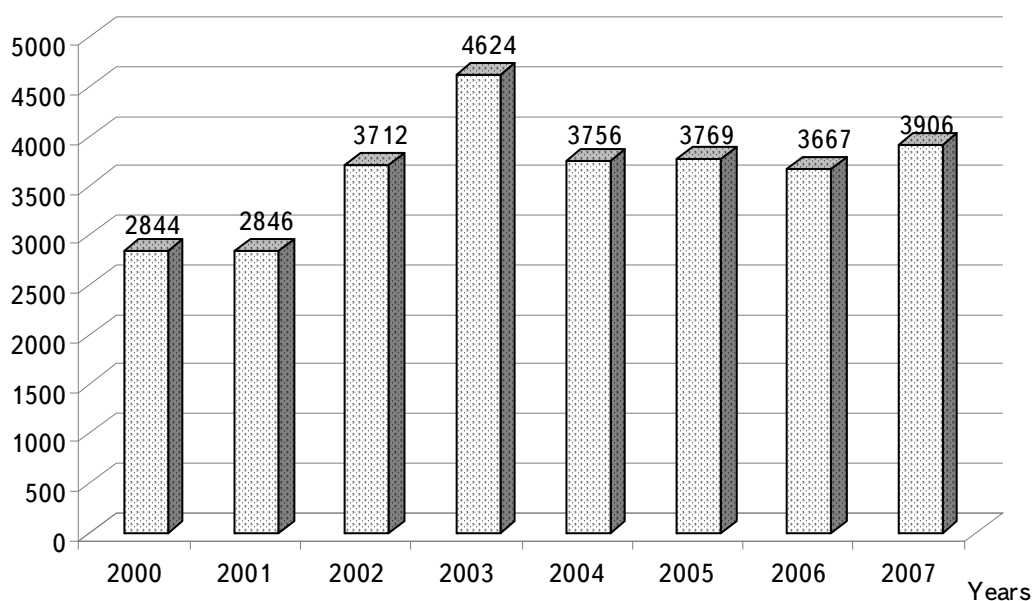


Fig. The changes in the number of private enterprises in Pskov region*

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motor repairing, household goods repairing (37.3%), manufacturing activities (16.4%), construction (11.2%), agriculture, hunting and forestry, real property business, rent and services (10.7% each).

The volume of goods of domestic manufacture (without VAT, excise-duties and other payments) in 2007 makes up 14035 mln. rubles or 129.5% in 2006 (in current prices). The most considerable volume (37.3%) of goods of domestic manufacture (in 2006 - 45%, 2005 - 52.5%), accounts for manufacturing activity. The most considerable volume of goods was manufactured by private enterprises producing electrical equipment, electronic and optical equipment - (30.2%) and foodstuffs, including drinks and tobacco - (12%).

In the recent years in Pskov region the preconditions for stable development of private enterprises have been created.

These preconditions are:

1. The Constitutional guarantees for carrying out entrepreneurship.
2. A rather high level of business activity of the population of Pskov region.
3. The legislative assignment of the status of private enterprise as a special kind of economic activity in relation to which special measures of state support are provided.

According to the federal law, the state support of private enterprises is carried out via the formation and organization of their infrastructure, creating concessionary terms of using state, financial, material and technical technologies by the subjects of private enterprises, establishing of reductive procedure of the registration of the subjects of private entrepreneurship, their licensing, certification of their products, submission of statistics and accounting, the support of foreign-economic activity, the organization of training, retraining and raising the level of staff proficiency. Unfortunately, these requirements are not always and everywhere fulfilled.

Private enterprises in Russia, in particular in Pskov region face different problems and threats in their work, such as: the possibility of fast bankruptcy, limited growth, small markets, scarcity of turnover means, high competition.

All these result in a number of negative tendencies: a considerable number of registered enterprises either don't start their activities, or get quickly liquidated; besides, insufficient pace

of development of private enterprises in the industry, construction, etc. is of much concern; in some regions not much attention is paid to the support of the development of private enterprises.

These factors point to the low fulfillment of the economic functions of private enterprises. The main obstacles that prevent private enterprises in Pskov region from active development are:

1. Difficulties with taking loans, lack of possibility to take a long-term credit and a credit to start up a business; high interest rate.
2. Lack of industrial premises and offices, high rent.
3. Lack of possibility to use industrial premises long-term (over a year).
4. No choice of the tax system for private entrepreneurship.
5. Heavy tax load.

Entrepreneurship is a free economic activity in different spheres within the limits of civil legislation that regulates this activity. In the RSFSR Law "About enterprises and entrepreneurship" (1990), the essence of entrepreneurship was for the first time defined as "enterprising activity of the citizens and their integration to gain profit".

To their define profit gain small enterprises have to establish the facts of economical activity. Accounting can help to solve this problem by providing reliable and full information about the activities of an enterprise.

As a rule, the subjects of small enterprises have a limited financial potential that don't allow them to use the work of well-qualified employees in accounting, taxation and other spheres of knowledge so that they prove to be helpless to figure out the complicated system of Russian legislation, regulating the problems of carrying out of financial and economic activity making their business vulnerable to a number of inspections and unfair competitors. The next reason is a small number of employees.

At the same time the complexity and imperfection of the tax legislation, tight control of its observance lead to the fact that the accountants in small enterprises are only able to provide taxation, though one of the main functions of accounting - providing information on the management process - remains unrealized.

Such tendency can be seen in the Pskov region. The average number of employees in

small enterprises in Pskov region in 2007 was 44.7 thousand people (in 2006 - 41.5 thousand people), 88.1% of them being full-time workers.

The average number of payroll employees (without external by-workers) in 2007 was 39.4 thousand people.

In 2007 in comparison with 2006 the most substantial reduction of the number of employees to 19.3% was in the enterprises providing municipal, social and personal services.

The number of people working in the enterprises providing financial activity increased by 2% and in hotels and restaurants by 21.3 %.

The share of the average number of payroll employees in small enterprises in the average number of payroll employees of all enterprises in the Pskov region in 2007 was 17.9 % in 2006 - 16.7%, in 2005 - 16.5%.

A small number of employees working in one enterprise is appropriate for the subjects of small entrepreneurship, in 2007 as well as in previous year 11 employees accounted for one enterprise (in 2005 - 10 employees). The largest were those in mining operations (23 people), agriculture, hunting and forestry, manufacturing activities (18 people per each), construction (17 people), transport and communication service (15 people).

In small enterprises it was a usual thing that employees had to combine jobs. Under the terms of second employment in 2007 there worked 11.9% from the whole number of employees of small enterprises (in 2006 - 8.9%, in 2005 - 10.8%).

The peculiarity of small business activity is that it needs nonstandard approach to accounting, financial reporting, structure and procedure of submission of the indices of the subject activity to satisfy the need of different users of information. In practice, credit agencies being one of the users of the accounting of small enterprises face a number of problems emerging in crediting. However, according to the global experience, small entrepreneurship is considered to be a rather reliable segment of crediting.

One of the problems is low quality and opacity of enterprise accounting as well as deliberate concealment of full information (firstly, about debts). In half of the cases accounting doesn't reveal the real financial-economic state of an enterprise. The borrower doesn't often realize

that the first and main victim in such situation can be his own business: the increase in debts will lead to the deterioration of the financial factors of the activity of the enterprise. Meanwhile, a number of banks practice the possibility of individual consideration of the financial state of a company and the possibility of more flexible terms of credit.

Small enterprises often have reductive accounting or don't have accounting at all (that is not required by state authority). To make the work with small enterprises successful credit experts must have excellent professional skills, qualified methods and experience.

Of course, a very important factor restraining the development of crediting of this segment is the discredit of banks to small entrepreneurship. Not all the banks are ready to give up the stereotypes of corporate crediting and work out special reductive programs of crediting for small enterprises, taking into account the peculiarities and needs of such enterprises.

The absence of rational system of registering analytical information prevents the subjects of small entrepreneurship in Russia from increasing crediting. However, special methods of crediting small enterprises are worked out and successfully used. They help to reduce the level of delinquency in crediting to 5%. Russian experience also proves this: in banks, using special methods of crediting small enterprises the percentage of non repayment is 1-3%. In 2007 the volume of crediting in this segment increased to 80% but, nevertheless, Russia is on the 148th place as far as the level of crediting small enterprises is concerned.

While managing a small enterprise there may appear a number of factors that can influence the decision making: the peculiarities of capital structure, specific hierarchy of risks, high bank interest, absence of guarantees, efforts to merge or spread the influence on the enterprise.

That's why to make the work of a small enterprise successful it is necessary to arrange efficient accounting.

The efficiency of small enterprise activity is mainly defined by the availability of full and reliable economic information about their business. Accounting, being a part of the executive system of the activity of any enterprise, provides a subject of management with information about economical activity that is necessary

either for routine inspection of the rational use of resources or for day-to-day business management.

The peculiarities of the functioning of small enterprises specify the necessity of working out new approaches to the system of accounting, since the specific character of these enterprises raises special demands to the formation of accounting.

Accounting is needed not only to state and register the facts of economical activity that influence the formation of the results of entrepreneurship but also to influence them. This necessitates a constant improvement of the quality of accounting, its specification and increasing the data efficiency. The latter, being based on the scientifically grounded system of its formation applied to the peculiarities of small enterprise functioning, presents a problem that hasn't been solved yet. In small enterprises, as well as in other economical subjects, the primary stage of accounting is the complete documentation of all the factors of economic activity, but the current forms of a unified initial accounting documentation aimed mainly at satisfying the needs for information of large and medium organizations, don't reflect the peculiarities of small enterprise activities. Thereupon, to make accounting in small enterprises rational it is important to improve the documentation procedure of economical operations.

The research of practice of accounting in small enterprises showed that the current tendency of standard regulation of accounting and

taxation creates considerable problems to small enterprises, since they can't afford large staff of accountants for the organization of parallel accounting and taxation. A significant point in solving these problems is the special method of accounting providing full and reliable information for tax calculations and satisfying the needs of current and strategic business management.

Small enterprises can take decisions on providing of accounting in large: in groups of balance sheet items and items on income and loss statement without additional deciphering in the specified forms, they have a right not to present the statement on the capital change in accounting (form №3), the statement on the movement of monetary funds (form №4), the appendix to the balance sheet (form №5), and the explanatory note.

Unfortunately, the absence of these forms in accounting doesn't allow to make any final judgment on the financial state of an enterprise in detail, and that can be considered a drawback in legislation. But using at least the statement of the movement of monetary funds could allow to reveal the greater part of information for financial analysis.

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