

## SMALL BUSINESS INFLUENCE ON SOCIAL AND ECONOMIC DEVELOPMENT IN ULYANOVSK REGION

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Mutual influence of human development index and the small-scale business development level in the Ulyanovsk region is under consideration. Structural analysis of population expenses has revealed disparity between the actual and the recommended small-scale business structure.

One of the economy arm recovery, especially during the crisis period, is the development of small and medium business, and the private initiative revival. According to the standard living and the social level, they belong to the majority of population, and the same time they are the producers and consumers of various kinds of goods and services. The small business sector forms the most branched network of firms, working mainly in local markets, and they connect with mass consumer of goods and services. All together, the small size of small firms, their technological, production and management flexibility allow to adapt to the changeable market quickly and timely.

In the world economic system, according to UN data, small- and medium-sized firms employ over 50% of the working population all over the world, and the production value in the sphere of small- and medium-sized firms constitutes for 33% to 66 % of national output.

During difficult economic situation small business partly solves the problem of employment and increases the population income using the way of creating new low-charge jobs

and it really uses unemployed workers of the large enterprises. Due to small enterprises, goods and services markets are filled with available production. Due to small turnover and limited number of connections, small enterprises adapt to the rapid changes in the economic situation in a country or in a region more quickly.

It is very important to point out that small business, first of all, focuses its attention on the local market demand and, therefore, on the volume and the structure of local consumer demand. This shows that the relation between large and small business is determined by the level of income population on the territory. At the same time the income level depends on many factors, such as: existing production, intellectual and scientific potential, qualification level, activity of the population and others.

We have taken the size and the structure of income and the expenses of population in Ulyanovsk region. According to the data of Ulyanovskoblstat, the cash income per capita in December, 2008 y. was 11, 561 rubles, cash expenses per capita - 10,021 rubles.

Table 1

The calculation of per capita expenses in Ulyanovsk region in December 2008

Expenses	Amount, rubles.
Average monthly income of per capita of population	11,56
Expenses per capita, including:	10, 021
• Food (39 % from expenses)	3908
• Non-food stuff (38% of total expenses)	3808
• Services, except housing and communal services (13% of total expenses)	1303
• Housing and communal services (8% of total expenses)	802
• Other expenses	200
Export food stuffs (15 % of consumption)	586
Foodstuffs from other regions of Russia (20 % of total consumption)	782
Non-local consumer durables (80% of total consumption)	3046
Total of non-locally produced goods	4414
Savings and other expenses (11 561 - 10 021)	1540
<b>Total of goods and services of local production (11 561 - 4414)</b>	<b>7147</b>

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Table 2

## The turnover of small firms of different kinds of economic activity For 2007, in operating prices

Kinds of activity in operating structure	Turnover of small firms, million rubles	The share of total volume, %
<b>Total</b>	<b>62026,3</b>	<b>100</b>
Agriculture, hunting and forestry	296,8	0,48
Fishing, fish-breeding	5,5	0,01
Mineral extraction	19,7	0,03
Processing production	8527,9	13,75
Production and distribution of electricity, gas and water	172,9	0,28
Construction	8483,9	13,68
<b>Total of goods</b>		<b>28,22</b>
Wholesale and retail trade; repair of vehicles, motorbikes, domestic equipment and private goods	40308,5	64,99
<b>Total of trade mediation</b>		<b>64,99</b>
Hotels and restaurants	471,4	0,76
Public transport and communication	1011,5	1,63
Communication	69,1	0,11
Operations with real estate, rent and rendering of services	2213,2	3,57
Operations with real estate	520,5	0,84
Operations in computer and information technology	117,6	0,19
Research and development	280,4	0,45
Education	31,3	0,05
Health care and social services	150,0	0,24
Communal, social and personal services	333,7	0,54
Entertainment, culture and sport activities	226,5	0,37
<b>Total of services</b>		<b>6,79</b>

In general, the structure of cash population income from January, 2008 to January, 2009 did not change: the structure of cash population income (45 - 50%), social compensation (15 - 18%), income from business activity (10 - 14%), other earnings (15 - 20%).

The structure of cash population expenses: buying goods and services (80 - 85%), buying foreign currency (3 - 8%), bank deposits (0 - 7%), and others.

The most important position in population expenses is buying goods. According to the data

of the research in the IV quarter of 2008 the largest expense part of family budget in the consumer expenses structure was the expenses on buying foodstuffs (including eating out) - 39,1% (in IV quarter of 2007- 39,4%). On buying non-food goods the families spent 38,3%, on alcohol - 1,3% of consumer expenses (in IV quarter of 2007 - 35,1 and 1,6%, respectively).

Table 1 presents the author's calculation of expenses per capita of population. It shows that the potential annual expenses of the entire population of the region on local goods are:

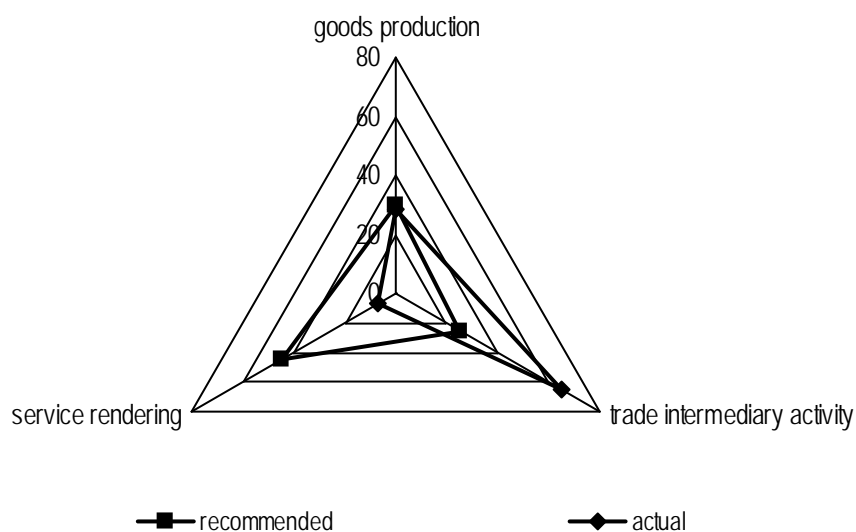


Fig. Actual and recommended structure of small business in Ulyanovsk region in 2007

1312,2 thousand people x 7147 rubles x 12 months = 112,5 milliard rubles.

Can small business produce this volume of food stuff and services?

The experience of some cities and municipal institutions of Russia and other countries shows, that the ratio of small and large business reaches the level of

40 : 60 (40% - the participation of small business). In Ulyanovsk region at the end of 2007 the number of small businesses was 8434 firms, while large and medium enterprises made 28862 companies, therefore, the ratio is 23:77.

In 2007 the turnover of small business was 62 milliard rubles. The rate of growth of the same period in 2006 was 123%. In 2008, out of 1476 small firms (excluding micro-firms) operating in the region, 25,1% were the firms of wholesale and retail trade, 24,7% were in processing production, 12,9% - in construction, 10,9% were in the agricultural sector. The turnover of small business was 54,4 billion rubles in 2008 (119). The share of small firms turnover in the total turnover of firms and organizations is 15,8%. Therefore, small business in Ulyanovsk region has certain potential for growth.

The structure of small business extensively depends on the size (level) of population income, and the structure of income is defined by the economic structure of the territory, by intellectual potential, population activity and other factors. The turnover of small firms of different kinds of economic activity is given in the Table 2.

According to Table 2 we can notice the following: goods productions - 28,22 %; rendering services - 6,79%; trade mediation activity - 64,99% compared with the benchmark recommended structure of small business development in the economic literature: goods production - 30 %, rendering services - 45 %, trade mediation activity - 25 %.

Figure 1 defines the discrepancy between actual and recommended structure of small business development.

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[http://www.sme.ulgov.ru/gospolit/finpod/subsid\\_obl.html](http://www.sme.ulgov.ru/gospolit/finpod/subsid_obl.html).

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