

LOCAL AUTHORITIES AND MANAGING BUSINESS INTERACTION

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Abstract: The pertinence of the examination is because of the way that the maintainable financial advancement of the regions is the consequence of the exercises of society different delegates and different types of connection between the specialists, which are the controller and conductor of state arrangement, and business, as one of the subjects delivering products and ventures, in the structure of the state capacities to address the issues of the populace. The connection of neighborhood experts and business is related with the last's double job: from one viewpoint, the job of the beneficiary of different types of state support in the structure of territorial and civil projects, and on the other - the provider of budgetary assets to the financial plans of various dimensions. Therefore, the relations between nearby experts and business incorporate two gatherings of monetary relations, and likewise, multidirectional money related streams. The procedure of joint exercises of nearby experts and business in a market economy of the nation is the collaboration of open and private establishments to create and receive and execute viable choices on regional financial advancement, in light of the coordination of the premiums of the gatherings and the normal utilization of assets of society. In the meantime, the interests of the state ought to compare as intently as conceivable to the requirements of residents for open merchandise, items and administrations. The motivation behind the article is to legitimize the need to improve the arrangement of the executives of association between nearby specialists and business. Inside the system of the examination, the logical works in the field of association of relations among government and business, the primary controls here and present day practice were dissected. The principle result is proposals for improving relations among business and neighborhood specialists, considering the interests of both business and the populace.

Keywords: public-private partnership, interaction between government and business, models of interaction between business and government, local authorities and business interaction management.

1.Introduction.

In a market economy, small business, being a very important source of all level budgets' filling, contributes to high financial efficiency and socio-economic development. In the Russian Federation tax revenues from small businesses to the consolidated budget are no more than 10%, which indicates a lack of development of small and medium-sized businesses. In this regard, the search for effective mechanisms of interaction between government, business and civil society at the regional and municipal levels of management, the formation of institutional conditions for social dialogue, the development of strategies and the implementation of mechanisms of economic and social interaction, contributes to the socio-economic development of municipal communities.

To achieve this goal, the following tasks have been identified (Makeev, 2007; Tastan & Davoudi, 2015, Trámpuz, Juan Pablo, and Daniel Barredo Ibáñez. 2018):

- to clarify the essence, principles and methods of management of economic and social interaction of local government and business in the market economy,
- to assess the place and role of local self-government authorities in improving the economic and social interaction between government and business,
- to identify ways to improve the efficiency of business participation in the sustainable development of the municipal community,
- to reveal the institutional prerequisites for improving the partnership between local authorities and business,
- to develop a strategy for managing the economic and social interaction of local authorities and businesses,
- to propose innovative mechanisms for managing economic and social interaction between local authorities and businesses in municipal economic systems,
- To identify tools for effective interaction between local authorities and business in the implementation of national projects in municipalities.

Changes taking place in the country's economy during the period of reform lead to changes in the functions of the state in the socio-economic sphere, including the search for effective forms of state provision of various types of goods and services that meet the needs of the population.

In the first years of economic reform, the state delegated most of the problems of the territories' socio-economic development to the private business that arose during the privatization. Business, however, in the conditions of relatively high inflation and General economic instability was in no hurry to deal with complex and long-term programs, to update production and develop technologies, preferring to earn quick money in trade, in the stock and currency markets, in the financial and credit sphere, etc. (Dubrovsky, 2010 ; Markova, S., Shherbakova, E., Depsames, L., Tsypalakova, S., & Yakovleva, S. 2016).

In the last decade, due to fundamental changes in the sectors of the national economy, owned and managed by state structures, the interaction between the authorities and business has significantly intensified, as they are currently undergoing major changes.

2.Methodological Framework

In the interaction of local authorities and business in Russia, there is some inconsistency to the definition of approaches due to different strategies and concepts that ensure the relationship and interaction of state and municipal authorities and business, which are mutually beneficial and effective. The innovative type of economic development involves the creation of the most favorable conditions for building effective mechanisms of interaction between business and the state, increasing entrepreneurial initiative and investment attractiveness of Russian companies as the main driving force of economic development of the country. The conceptual basis for improving the management of social and economic interaction between local authorities and business, contributing to the sustainable development of the municipal community can be achieved only with the coordination of all parties' efforts and the implementation of socio-economic policy providing the following activities (Makeev, 2007):

1. Clarification of the essence in modern management of economic interaction between local authorities and business.

2. Allocation of the basic model of economic interaction between business and government administrative pressure of local authorities on business, ignoring of local authorities by business, conflict between government and business and social dialogue.

3. Identification of ways to improve the efficiency of business participation in the socio-economic development of municipal communities, to assist municipalities in the strategic planning of socio-economic development, to improve the efficiency of budget spending, the development of market, production and innovation infrastructure, to manage effectively corporate social programs, to finance social projects.

4. The adoption of provisions under which the main institutional factor supporting sustainable economic interaction between local authorities and businesses in the municipal communities is the population's trust in the innovative reforms carried out in them, which will help municipal institutions to minimize transaction costs, increase the total income of the community, and combat corruption.

5. Development of a strategy for the development of economic and social interaction between local authorities and business, which would be presented not as an administrative document, but as a public consent agreement, according to which local authorities, enterprises and public organizations in the municipal community take on specific obligations.

At the same time, the interaction of business and government means partnership of public authorities and local self-government, trade unions, employers' and business organizations in the regulation of social and economic problems. The established practice of interaction between government and business at the local level helps to determine the direction of partnerships' development that contribute to the accelerated growth of the Russian economy, the creation of production, social and institutional infrastructure for the formation of the country's effective functioning of civil society, the provision of significant public goods and services on mutually beneficial terms. A flexible and multi-level system of interaction between local authorities and business, is currently trying to define a society that requires minimizing the corruption component and the possibility of merging power and business, to build relationships on a civilized basis. Thus, Russian business should gradually move to a new model of self-organization in relations with the government, providing along with the state, first of all, the social support of the population.

3.Results

In a market economy, contracts with enterprises and organizations not owned by the state for the provision of goods and services for which the state is responsible are very widespread. At the same time, the state, acting as a customer and controller, is financially interested in entering into the most profitable contracts, choosing those suppliers who provide goods and services of the highest quality for the lowest fee. At the present stage of the market economy development, it seems appropriate to build a system of interaction management between local authorities and business, taking into account the Russian specifics and based on the improvement of the control function, which plays the role of a link between the state and the business community. In the interaction between local authorities and business, one can observe different variants of relations that set the conditions for the development of the economy and private entrepreneurship, as well as the direction of business communities' influence on social life. However, the construction of an effective system of interaction management between local authorities and business is due to the difficulties of both practical and methodological nature associated with the increase in the number of tasks facing the authorities, the number of business structures in various sectors of the economy, the development of civil society, requiring the

development of new forms of interaction with them. The problem of relations between local authorities and business is now in the center of public attention and scientific discussions. In this regard, more attention begins to be paid to the problems of effective organization of management process, aimed to enhance the competitiveness not only of the management system, but also businesses in the region (Pshizova, 2009; Davoudi et al., 2018). Formally, the interaction of local authorities and business requires from regional and municipal authorities administrative and economic regulation of business activities, as well as the organization of competitions for state and municipal orders, etc. The authorities must create acceptable conditions for doing business on their territory, and the business at the same time must create jobs, regularly pay wages, the amount of which must ensure adequate reproduction of the labor force, in full and timely pay all taxes. Taking into account the important role that business plays in the regional economic system, as well as its increasing influence on many social and even natural processes, it is necessary to determine the mechanisms of regional and municipal authorities' influence on its development (Zotov, 2007). Among the types of interaction between regional authorities and business structures the following can be allocated (Kurbatova & Levin, 2006):

–Financial cooperation in the creation and implementation of certain financial programs and plans. Business structures also provide funding for various targeted programs developed at different levels of government in the country;

– material interaction in the sphere of supply of goods and services for state needs, as well as in the framework of solving social problems;

–spatial interaction in operations with land and real estate aimed at improving the quality of the urban environment and the balanced development of a territory;

–Project-management interaction allows developing joint development programs, certain strategies that determine the further behavior of the main players of the public dialogue in the long term. At the same time, business is often seen as an investor able to finance the implementation of a particular program;

–*Outsourcing* to attract business, in order to implement specific functions and tasks. Outsourcing technology is actively used today in business and involves the transfer to a third party contractor of some business functions or parts of the business process of the company. The essence of outsourcing in the regional management is bringing out certain activities outside the scope of authority of Executive bodies through the entering into contracts with external service providers (business entities) on a competitive basis;

–Establishment of joint ventures between business and government. This happens both by reorganization, formation of a new institution, and by buying part of the shares by the state from the business or Vice versa;

–*Interaction in the legislative process*. This form includes a *dialogue* between the state and business in the course of adoption of any laws, amendments to them. This aspect of interaction is most often considered from the position of strategic lobbying. Often, business is interested in the adoption of a law that will positively affect the implementation of entrepreneurial activity. Sometimes business structures have an impact on amending laws that have already been adopted.

4. Discussion

4.1. Financial Cooperation between the Local Authorities and Business

Successful business development is largely due to the possibility of both long-term and short-term financing and direct organization of production processes for a wide range of goods and services. The current situation in small business in recent years, as well as the need to ensure its growth requires a significant activation of financial interaction's mechanism between the state and small businesses. The state policy in the field of small and medium business development in the Russian Federation is a part of the state socio-economic policy and represents a set of legal, political, economic, social, information, consulting, educational, organizational and other measures implemented by the state authorities of the Russian Federation, by public authorities of the Russian Federation entities, local governments (Federal law of July 24, 2007 N 209-FZ on development of small and medium business in the Russian Federation, 2007). Currently, the business is experiencing difficulties in the formation of fixed and working capital, since most banks are aimed only at servicing the financial flows of large enterprises, and not to work with medium and small businesses. Regional and municipal authorities should play a catalytic role in attracting domestic and foreign capital and increasing the flow of Finance to small and medium-sized businesses. The steps taken by the state to improve the regulatory framework, implemented at the Federal, regional and local levels, determine the lists of measures aimed at the development of small and medium-sized businesses, indicating the volume and sources of funding, the performance of public authorities responsible for the implementation of these measures. Since 2005, the Ministry of economic development has been implementing a special program to provide subsidies from the Federal budget to the budgets of the constituent entities of the Russian Federation in order to provide state support to small and medium-sized businesses at the regional level (Ministry of economic development of the Russian Federation, small and medium business support Programs, 2015). At the moment, the program is implemented in accordance with the decree of the Russian Federation Government dated January 30, 2014 № 1605 *on the provision and distribution of subsidies from the Federal budget to the budget of the Russian Federation entities for state support of small and medium-sized enterprises, including peasant (farmer) farms* and annually issued orders of the RF Ministry of economic development. Within the framework of the program, targeted funds are allocated on a competitive basis between the regions for the implementation of activities provided for by regional programs for the development of small and medium-sized enterprises, in case of co-financing of expenses from the region. This approach allows, in addition to the Federal budget

funds, to attract financial resources of the regions, as well as to stimulate the regions to implement more active policy in the field of business support. The program provides both direct and indirect measures to support small and medium-sized businesses, including:

- support for start-up small businesses;
- support and development of youth entrepreneurship;
- creation and development of information and consulting support infrastructure for small and medium-sized businesses;
- support of subjects of small and medium-sized business, carrying out activity in sphere of production of goods (works, services), et al.;

According to the Order of the Ministry of the Russian Federation economic development of 25.03.2015 N 167 *on the approval of conditions of competitive selection of the Russian Federation entities whose budgets are provided with subsidies from the Federal budget on the state support of small and medium business* providing and distribution of subsidies is carried out by the corresponding authorized body in the subject of the Russian Federation (Guarantee organization). The guarantee organization registered in the territory of the subject of the Russian Federation is created and functions according to the following requirements (the Order of the Ministry of economic development of Russia, 2015):

1. The guaranteeing organization maintains a separate accounting of the targeted financing funds, provided from the budgets of all levels, and funds derived from business activities, as well as separate accounting for funds provided by the Guarantee institution for the implementation of the main activities (provision of guarantees), and places derived from the budgets of all levels funds in separate accounts.

2. The guarantee organization uses the funds provided from the budgets of all levels for the acquisition of assets, including financial, taking into account the principles of liquidity, repayment, profitability, as well as for the performance of obligations under the concluded contracts of guarantee. At the expense of the money provided from budgets of all levels, the Guarantee organizations one of founders (participants) or shareholders of which is the Republic of Crimea and (or) the city of Federal value Sevastopol, has the right to redeem the rights of the monetary requirement on the provided guarantees on obligations (credit agreements, loan agreements, financial lease agreements (leasing), agreements on providing the Bank guarantee and other agreements) of subjects of small and medium business and the organizations of infrastructure to support subjects of small and medium business, registered in the Republic of Crimea and the city of Federal importance Sevastopol from the organizations of infrastructure to support subjects of small and medium business, one of the founders (participants) or shareholders of which are other subjects of the Russian Federation.

3. The guarantee organization ensures in the course of its activities the equality or excess of the amount of financial assets, cash and cash equivalents (except receivables) to the amount of subsidies provided to the Guarantee organization from the budgets of all levels for the entire period of the Guarantee organization's activity. The guarantee organization plans, carries out current activities and controls the results of current activities, based on the fact that the source of performance of the Guarantee organization's obligations under the issued sureties are the income from the management of financial assets and remuneration from the provision of sureties.

4. In order to ensure the main activity of the Guarantee organization (provision of sureties) from the amount of funds provided at the expense of budgets of all levels, the net financial result from operating and financial activities, the Guarantee organization forms the guarantee capital.

5. Providing guarantees to subjects of small and medium-sized business, the organizations of infrastructure to support small and medium enterprises is carried out by the Guarantee organization on the commitments based on loan agreements, the loan agreements (with the exception of loans provided by the organizations of infrastructure to support small and medium-sized enterprises), financial lease (leasing) agreements regarding the provision of Bank guarantees and other contracts entered into with the creditors of the above mentioned entities (commercial banks, insurance companies, lessors, micro-financial organizations, except for the microfinance organizations which are the organizations of infrastructure to support subjects of small and medium-sized business (further - the financial organizations) which entered into agreement on cooperation with the Guarantee organization. The Guarantee organization has to be entered into at least 2 (two) of such agreements.

6. The surety under contracts of financial rent (leasing) to subjects of small and medium-sized business, the organizations of infrastructure to support small and medium enterprises are provided by the Guarantee institution to subsidize part of expenses of subjects of small and medium enterprises related to the payment of leasing payments under the contract (contracts) of leasing, which was concluded with the Russian leasing organizations to create and (or) develop or modernize production of goods (works, services) in accordance with the terms of the competition.

7. Guarantee organization organizes and carries out internal control of committed facts of economic life, as well as internal control of accounting and preparation of accounting (financial) statements.

In this regard, the main actions of local authorities should contribute to the development of credit and financial mechanisms and stimulate the financing of small enterprises aimed at:

- establishment of credit bureaus;
- creation of databases on current and potential borrowers, including cycle nature, profitability, liquidity and other indicators;

– cooperation of banks with consulting institutions and information centers to obtain data describing the features of a particular type of activity of small and medium-sized businesses;

– Development of a multi-level system of regional and municipal level to provide sureties (guarantees) to financial and credit institutions for loans and borrowings issued to small businesses.

Regulation of interaction by local authorities and business provides for various methods of financing and payment of government orders for the supply of goods, works and services. Some methods cover the costs of suppliers, contractors and executors directly, while others cover the costs indirectly. At the expense of:

– own funds of suppliers, contractors and executors;

– borrowed funds of commercial banks provided under the guarantee of the state;

– direct loans;

– stage-by-stage coverage of costs by the customer as the contract is executed;

– full or partial advance payment under the order;

– accelerated depreciation of fixed assets of the supplier company when executing government orders;

– preferential taxation and granting the right to write off the costs associated with the implementation of the state order as current economic expenses that are not subject to taxation;

– Issuance by the state of orders for research and development (Fedorovich, 1979).

The real contribution of business from effective interaction with local authorities will be expressed in increasing revenues of the budget system by increasing employment in small enterprises, reducing the share of overdue tax debts to local and regional budgets, in the relationship of social, information, consulting, educational, organizational and other measures carried out by public authorities of the Russian Federation, public authorities of the Russian Federation, local authorities. Currently, the business is experiencing difficulties in the formation of fixed and working capital, since most banks are aimed only at servicing the financial flows of large enterprises, and not to work with medium and small businesses. Regional and municipal authorities should play a catalytic role in attracting domestic and foreign capital and increasing the flow of Finance to small and medium-sized businesses. The steps taken by the state to improve the regulatory framework, implemented at the Federal, regional and local levels, determine the lists of measures aimed at the development of small and medium-sized businesses, indicating the volume and sources of funding, the performance of public authorities responsible for the implementation of these measures. Since 2005, the RF Ministry of economic development has been implementing a special program to provide subsidies from the Federal budget to the budgets of the Russian Federation constituent entities in order to provide state support to small and medium-sized enterprises at the regional level (Federal law on the development of small and medium-sized enterprises in the Russian Federation, 2007). At the moment, the program is implemented in accordance with the decree of the Russian Federation Government dated January 30, 2014 № 1605 *on the provision and distribution of subsidies from the Federal budget to the budgets of the Russian Federation entities for state support of small and medium-sized enterprises, including peasant (farmer) farms* and annually issued orders of the Ministry of economic development of Russia. Within the framework of the program, funds are allocated on a competitive basis between the regions for the implementation of activities provided for by regional programs for the development of small and medium-sized enterprises, in condition of co-financing of expenses from the region. This approach allows, in addition to the Federal budget funds, to attract financial resources of the regions, as well as to stimulate the regions to implement more active policy in the field of business support.

The program provides both direct and indirect measures to support small and medium-sized businesses, including:

– support for start-up small businesses;

– support and development of youth entrepreneurship;

– creation and development of information and consulting support infrastructure for small and medium-sized businesses;

– support of subjects of small and average business, carrying out activity in sphere of production of goods (works, services);

– creation and development of infrastructure to support small and medium-sized businesses operating in the field of industrial production, development and implementation of innovative products;

– support for small and medium-sized businesses engaged in activities in the field of folk arts and crafts, handicraft activities, rural and ecological tourism;

– creation and development of infrastructure to support small and medium-sized businesses providing property support (business incubators, industrial parks, technology parks);

– creation and development of infrastructure to support export-oriented small and medium-sized businesses;

– creation of guarantee funds to provide guarantees for obligations (credits, loans, lease agreements, etc.);

– promoting the development of microfinance institutions that enable small businesses to access borrowed funds;

– support for social entrepreneurship.

5. Conclusion. The main actions of local authorities should promote the development of credit and financial mechanisms and stimulate the financing of small enterprises. Regulation of interaction between local authorities and

business provides for various methods of financing and payment of government orders for the supply of goods, works and services. Some methods cover the costs of suppliers, contractors and executors directly, while others cover the costs indirectly. The real contribution of business from effective interaction with local authorities will be expressed in increasing revenues of the budget system by increasing employment in small businesses, reducing the share of overdue tax debts to local and regional budgets, in the maximum diversification of investment, reducing the overall level of risk. Improvement of the system of interaction management between local authorities and business is caused by the need to take into account the interests of local authorities and business in order to increase the socio-economic potential of the territories, protect the interests of the population, the development of civil society and the effective use of all types of resources. Since the management mechanisms that have developed in the pre-perestroika period have lost their relevance and effectiveness, there are now trends in the formation of a fundamentally different system of economic and social interaction between local authorities and business. Vague financial policy of the state in relation to small and medium-sized businesses is the main factor hampering the development of small and medium-sized businesses. Therefore, at present, it is necessary to consolidate financial measures aimed at stimulating the potential of business to create a powerful multiplier effect in the budget-forming industries.

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