Financing Aspects of an Effective Strategy for Innovative Enterprise Development

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Abstract:

The current stage in the formation of Kazakhstan's market economy requires the creation of an innovation policy system. State innovation policy is understood as a set of goals, as well as methods of influence of state structures on the economy and society as a whole related to initiating and increasing the economic and social effectiveness of innovation processes. Innovative policy becomes important in conditions of increasing innovation activity of commercial and state enterprises and structural restructuring of the country as a whole.

Earlier, in the conditions of non-market relations in the economy of the Republic of Kazakhstan, innovative processes were centrally managed by state administrative bodies (ministries, state committees, main administrations, administrations of all levels), as well as their representatives at state enterprises represented by directors.

The transition to the market strengthens technological competition, leads to the bankruptcy of those who use and produces obsolete products, and provides super profit (based on differential scientific and technical income) to pioneers of scientific and technological progress, active innovators.

The author investigates the question of increasing the innovation potential of public policy in terms of enterprises development. Special attention is paid to financial aspects of this innovation strategy.

Introduction

As the world practice shows, small innovative business is a special form of entrepreneurship; which needs state support, both in a crisis and in a stable economic situation. This is due to the increased sensitivity of small innovative enterprises to changes in the regulatory framework, fluctuations in the financial and commodity markets, limited own financial resources, etc. Given the importance of small business development for the economy and society, each state is developing a system of measures to support and stimulate small businesses (Pogorelov 2012).

State support for the innovative development of enterprises should be carried out mainly within the framework of implementing strategies or state programs for the creation of innovative science-intensive products or services. The implementation of such programs should envisage the introduction into the practice of state regulation of the organizational and legal mechanisms of state and entrepreneurial partnership in knowledge-intensive industries.

1. Financing Aspects of an Effective Strategy for Innovative Enterprise Development

Even with resources, the state should gradually move away from the usual practice of direct financing of the scientific and technological sphere of activity of innovation-active enterprises of the MP to indirect methods of regulating its development, ensuring the provision of state guarantees to investors, forming effective mechanisms for transferring the results of R&D performed for public funds, in the private sector (Avdonin 2011).

One of the effective driving forces in managing the development of small innovative entrepreneurship is the development of a support infrastructure for this sector, which implies a system of institutions of institutions and organizations that provide the necessary conditions for the activities of small businesses and increase their level of innovation activity.

At the moment, the main tasks for effective management of the small business development are:
- further improvement of the regulatory framework regarding the activities of the small business entities;
- development of a comprehensive support infrastructure, especially at the regional and local levels;
- Improvement of the mechanism of financing of small business subjects at the expense of the state budget.

To do this, it is necessary to define the basic principles for building a system of state support for small innovative business in the region, which should become (Leonidova 2013):
- definition of the subjects of authority for state support of small businesses at the national, regional and local levels;
- introduction of specific responsibility for creating an enabling environment for small and medium-sized businesses for all levels of government management of small business development;
- direct participation in the development of targeted programs of representatives of public organizations of entrepreneurs when discussing projects, making their proposals;
- analysis and alignment of the regional regulatory and legal framework in the field of small business development in the light of the new economic conditions for Kazakhstan's accession to EURASEC;
- mandatory implementation of the principle of timely and complete targeted support in the development of each small innovative business entity;
- further development of information accessibility for each subject of small innovative business on the procedure for obtaining state support (Nasonov 2014).

In order to effectively manage the development of small innovative entrepreneurship, clear criteria are needed, based on which you can achieve the goal.

To improve the regulatory framework, first of all, it is necessary to clarify the concept of 'small innovative entrepreneurship'. First, small business is characterized by an innovative focus of activities and the presence of such features as initiative, innovation, ability and willingness to assume economic risks. This definition and it is necessary to fix it legislatively (Chernikov 2012).

Secondly, it is necessary to develop a program of state support aimed specifically at developing innovative enterprises in the small business sector. Since the analysis of programs has shown that state support for entrepreneurship is mainly focused on supporting small business in general, and support for innovative activity by the state is mainly aimed at large innovative projects. It is necessary to develop a single legislative act, which is a set of norms that regulate not only various issues of the activity of small innovative entrepreneurship, but also all aspects of state support for its development (Esina and Vorotyntseva 2011).

Third, the implementation of state support for the development of small innovative entrepreneurship undoubtedly leads to an increase in the competitiveness of enterprises and the development of this sector of the economy, but an objective assessment of the effectiveness of state support is necessary. At the same time, it is necessary to take into account the specifics of the regional system, which requires calculating the effect and costs of the final innovative products in the form of consumer goods and services to the public (Ostroumov 2007).

2. Application functionality

Evaluation of the effectiveness of programs to support small innovative entrepreneurship should be based on indicators that characterize the state and development of small innovative business. Despite the existence of a significant number of indicators and a variety of studies on this topic, a comprehensive system of such indicators, suitable for results management purposes, has not yet been formed.

Authorized bodies of support of small business should carry out evaluation of efficiency. Since with the allocation of funds from the state budget in order to support small innovative entrepreneurship, there is a need to evaluate the effectiveness of this support.

At the same time, the effectiveness evaluation can be represented as follows:

$$E = \frac{\sum_{i=0}^{n} (Dr + Dк)}{\sum_{i=0}^{n} (Z)} \qquad (1)$$

Where:

Dr - direct income,
Dк - indirect income,
Z - total expenditures.

Indirect income in the implementation of support for the development of small business should be formed by attracting to these tasks of non-centralized investments, highly qualified specialists, which is all that affects the reduction of necessary costs. These revenues are formed from the increase in taxes from individuals and legal entities engaged in small business, which received state support. Direct incomes are formed as a result of saving resources, eliminating or reducing losses of all types of small business services rendered to the population, enterprises and organizations.

The total costs include assessments of the costs of financial, logistical, organizational, information, and human resources (Yuts 2010).

It is also possible to make an integral evaluation of the effectiveness of the implementation of government support programs. To calculate the integral evaluation of the effectiveness of the implementation of the state program, it is proposed to determine:

(1) assessment of the degree of achievement of the goal and the solution of the tasks of the state program;
(2) assessment of the degree of implementation of the planned level of expenditures of the regional (local) budget;
(3) assessment of the timeliness of the implementation of activities of subprograms and (or) the main activities of the state program (the achievement of immediate results of their implementation).

Estimation of the degree of achievement of the goal and the solution of the tasks of the state program can be calculated by the following formula:

$$DI = \sum_{i=0}^{n} \left(\frac{F1}{P1} + \frac{F2}{P2} + \cdots + Fn/Pn \right) / n \qquad (2)$$

Where:

DI - Indicator of achievement of planned values of indicators (indicators) of the state program;

F - the actual value of the indicator (indicator) of the state program for the reporting period;

P - planned value of achievement of the indicator (indicator) of the state program for the reporting period;

n - number of indicators (indicators) of the state program.

In the case when the decrease in the value of the indicator (indicator) is a positive trend, the indices F and P in the formula are interchanged.

In the case when in the calculation of $F / P (P / F) < 0$, it is assumed that $F / P (P / F) = 0$. In the case when in calculating $F / P (P / F) > 1$, that is, $F / P (P / F) = 1$. Thus, if at least one indicator (indicator) is not fulfilled, then $DI < 0.8$, if all indicators (indicators) are 100.0 percent or more, then $DI = 0.8$.

Evaluation of the effectiveness of the implementation of state support programs for small innovative entrepreneurship should be carried out on the basis of indicators that characterize the state and development of small business. In Kazakhstan, the monitoring of the state of development of entrepreneurship in the context of industries and regions should be a comparison of the aggregate of statistical, sectoral, financial, departmental indicators, as well as indicators on the state of the business climate and the conditions for business development on the basis of publications of international organizations and analytical materials. The system of indicators (indicators) in assessing the effectiveness of government programs can be represented as follows: (1) Number of new enterprises; (2) The percentage of survival of small business enterprises; (3) The level of entrepreneurial activity by region; (4) Quantitative analysis of the state of small business on the basis of statistical indicators; (5) The share of small innovative entrepreneurship in the GDP structure; (6) Intensity of investments; (7) Total expenses for the payment of taxes, fees, etc., the total cost of innovation, patents, etc.; (8) Change in the share of small business entities in the GDP structure relative to the previous year.

Integral assessment of the effectiveness of the state authorities responsible for the implementation of the state program can be calculated using the following formula:

$$O = 0.6 * DI + 0.25 RB + 0.15 * C \qquad (3)$$

Where:

O – an indicator of an integrated assessment of the effectiveness of the bodies responsible for carrying out the state program;

DI – Indicator of achievement of planned values of indicators (indicators) of the state program;

RB – the indicator of execution of the planned level of expenditures of the regional budget;

C- the timeliness of the implementation of state program activities.

The activities of the bodies responsible for conducting the state program are:

- effective if $0.8 \leq O_i \leq 1.0$;
- not so effective if $0.6 \leq O_i \leq 0.8$;
- ineffective if $O_i < 6$.

Estimation of the degree of implementation of the planned level of expenditures of the regional budget is calculated by the formula:

$$Regional\ budget = O / L \qquad (4)$$

Where:

O – actual utilization of budgetary funds under the state program in the reporting period;

L – limit of budgetary obligations for the implementation of the state program in the reporting period.

In the case when $RB < 1$ due to the savings of budgetary funds, provided that all activities and indicators (indicators) are fulfilled, it is considered that $RB = 1$.

Evaluation of the timeliness of the implementation of activities of subprogram's and (or) the main activities of the state program (the achievement of immediate results of their implementation) is carried out on the basis of indicators of compliance with the established start and completion dates for the activities of the subprogram's and / or the main activities of the state program.

Assessment of the timeliness of the implementation of the activities of the state program (C) is calculated by the formula:

$$C = \frac{CBfact + C3fact}{2} * M \tag{5}$$

Where:

C – the timeliness of the implementation of state program activities.

$CBfact$ – number of measures of the state program implemented in compliance with the established deadlines for the commencement of implementation;

$C3fact$ – the number of state program activities completed in accordance with the established deadlines;

M – number of state program events.

In calculation are accepted:
- State program activities that take place this year, that is, planned start and end dates for their implementation correspond to the current year, for which the effectiveness of the state program implementation is assessed;
- the ongoing activities of the state program.

The state program for the entire period of its implementation provides for the state program of organizational and methodological nature without funding (for example, annual meetings, conferences, conclusion of agreements, organization of work of commissions), then the implementation of these activities is assessed in accordance with the implementation of plans (schedules) executors (co-executors) planned for the current year;

In the state program for the entire period of its implementation, it is planned to finance the activities of the state program (for example, annual ongoing, capital repairs, strengthening of the material and technical base of subordinate institutions, annual subsidies and other types of state support), then the implementation of these activities is assessed in accordance with implementation plans (schedules) of works of responsible executors, co-executors, participants (Yuts 2010).

Conducting an assessment of the effectiveness of government agencies that support small business entities will:
- monitor the quality of the work of state bodies in the person of program executors
- more efficient allocation of state budget funds
- improve the effectiveness of government-supported activities to support small business.

In addition, more precise division and definition of the functions of each organization conducting state support for small business is recommended.

In addition to assessing the effectiveness of government support, it is also necessary to continuously monitor the development of small business. Monitoring should ensure regular receipt of an objective and accurate assessment of the state of development of small innovative entrepreneurship for timely and necessary means to use the potential of small innovative business. Based on the information received, it should be possible to identify the reasons for the decline in small business activities, in order to better and accurately identify the problems of the state of small innovative entrepreneurship and in the future to develop appropriate and targeted measures of state support.

In general, constant monitoring in the field of state support for the development of small business will allow:

First, to promote the implementation of state support for the development of small business; secondly, it will contribute to the development of innovative entrepreneurial potential and the achievement of sustainable results in achieving the targets for programs in the development of small innovative entrepreneurship; and third, it will determine the real potential of small business in the sector or region .

Also, with regard to financial support for small business. Since the development of small innovative entrepreneurship largely depends on the functioning of the financial and credit infrastructure, which ensures its financing. There are systemic problems here, since in spite of the comprehensive support of the business sector as a whole, in Kazakhstan the financial infrastructure is mainly focused on financing the needs of large business, and small business is financed by a residual principle. so in the competition 'Innovative Projects' large innovative projects of the industrial sector are selected. With regard to programs for the financial support of small businesses, in general, comprehensive support is provided to all SMEs, without taking into account innovation activity. It should be noted that loans available for small businesses are characterized by a fairly high interest

rate. So only under the program of support to SMEs in the manufacturing industry, the nominal interest rate is 6%, in general, the nominal rate is more than 10%.

Table 1. Small Business Financing Programs

| № | Program | Main conditions | | | Interest rate |
		Client	Sum of the loan	Aim of the loan	
1	Program of conditional placement of funds of the republican budget in second-tier banks				
2	tranches	Small business	up to 750,000,000 (currency only tenge)	• replenishment of working capital; • acquisition of new and modernization of fixed assets; • refinancing of borrowed funds previously received by the borrower, aimed at replenishment of working capital, purchase of new and modernization of fixed assets.	12.5%
3	tranches	Small business	up to 750,000,000 (currency only tenge)	• replenishment of working capital; • acquisition of new and modernization of fixed assets; • refinancing of borrowed funds previously received by the borrower, aimed at replenishment of working capital, purchase of new and modernization of fixed assets.	11%
4	tranches	Social entrepre-neurship	up to 750,000,000 (currency only tenge)	• replenishment of working capital; • acquisition of new and modernization of fixed assets; • refinancing of borrowed funds previously received by the borrower, aimed at replenishment of working capital, purchase of new and modernization of fixed assets.	8%
5	tranches	Small business	Up to 1,850,000,000 tenge	• acquisition of new and modernization of fixed assets, for the implementation of projects in the manufacturing industry; • refinancing of borrowed funds previously received by the borrower, aimed at purchasing new and upgrading fixed assets, for the implementation of projects in the manufacturing industry.	6%
6	tranche 1-tranch of National Fund of the RK)	Small business	to 1,850,000,000 tenge	• acquisition of new ones, creation and modernization of fixed assets, for the implementation of projects in the sphere of manufacturing and services; • on replenishment of circulating assets, for realization of projects in the sphere of manufacturing industry.	6%
7	tranche (3-tranch of National Fund of the RK)	Small business	to 1,850,000,000 tenge	• acquisition, creation and modernization of fixed assets, for the implementation of projects in the manufacturing industry; • replenishment of working capital in the manufacturing industry; • refinancing loans received for the implementation of projects in the manufacturing industry and not participating in government programs: • Business Roadmap-2020, • The program of Kazagro	6%
8	Other programs				
9	The Asian Develop-ment Bank SME Finance Program	SME	To 440,000,000 tenge	• replenishment of working capital; • acquisition of new and modernization of fixed assets; • refinancing of existing SME loans, previously received by the borrower to replenish working capital, purchase of new and modernization of fixed assets.	11%

Source: compiled by authors according to the website damu.kz.

Conclusion

As can be seen from the Table 1, financial support for small enterprises is characterized by a high interest rate and is mainly aimed at replenishing current assets or purchasing equipment without taking into account the innovative component. That is, by and large, financial support for small business is not implemented. Since financial support is mainly for the modernization of existing enterprises; such necessary directions as creation of new high-efficiency enterprises of small business sector and selective support of enterprises of innovative economy are not made. Therefore, it is recommended to implement measures of financial state support for a small innovative business.

In general, to improve the effectiveness of public administration, it is necessary to change the approach to the formation of measures in the field of state support for small business. The following activities can be recommended: to assess the quality of work of executors of state support for the private sector; monitor the small business development indicators; conduct an evaluation of the effectiveness of the programs that have been implemented.

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