The role and place of small innovative enterprises in the construction industry in the modern economy of single-industry towns

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Abstract. This article gives an author’s interpretation of a Russian single-industry town, in which the key factor in the socio-economic development of a territory is the successful development of a town-forming enterprise. It is proved that the development of single-industry towns can be promoted by the development of small innovative entrepreneurship. One of the promising forms of small business development may be the construction industry, which is one of the most promising industries in Russia. The main social functions of small business in the construction industry are highlighted.

1. Introduction

Currently, the Russian economy is aimed at solving a large number of problems, one of which is the stabilization of the situation single-industry towns and identifying possible scenarios for their development. Nowadays, single-industry towns are experiencing a lot of difficulties. [1].

Currently, the Russian economy is undergoing changes, namely, it is moving on to the path of sustainable development and innovation. In these conditions, the most important task is the development of small business, without which it becomes impossible to ensure the successful socio-economic development of Russia.

2. Theory

Consider the concept of "single-industry town" and its characteristics for a better understanding of the current state of the economy of single-industry towns. At present, a clear and statutory definition of "single-industry town" does not exist. This indicates insufficient regulation of the economy of single-industry municipalities and the weakness of their institutional status. The essence of such a phenomenon as “single-industry” consists in a strict relationship between the financial and economic situation of the town-forming enterprise and the state of all spheres of the town's life [2].

A single-industry town is a complex structure in which a town is inextricably linked to an enterprise. Moreover, the company performs not only economic, but also social functions in the form
of ensuring living conditions. In this case, the costs of maintaining social infrastructure are included in the cost of production of the enterprise, because of which these products often become uncompetitive.

After analyzing the scientific literature [3,4,5], we can give the following definition of the concept of “single-industry town”. A single-industry municipality or a single-industry town is a municipality with a large enterprise or group of enterprises united by one technological cycle, the number of employees is more than 20% of the economically active population of the town and the share of manufactured products is more than 50% of the total volume of products shipped.

In the Decree of the Government of the Russian Federation of July 29, 2014 No. 709, the following criteria were identified for classifying municipalities as single-industry towns [6]:

- the resident population of the town is more than 3 thousand people;
- the municipality has the status of an urban settlement or urban district (the exception is the municipalities in which the legislative authority of the constituent entity of the Russian Federation is located);
- the implementation by one of the enterprises of activities for the production, processing of industrial products and (or) for the extraction of minerals (excluding gas and oil);
- the number of employees of one of the enterprises is 20% of the number of employees of all enterprises located in the town.

Consider the main quality characteristics of single-industry towns:

- the presence in the municipality of technologically interconnected organizations producing goods for one market, with the exception of firms that serve the internal needs of the town;
- the presence in the municipality of one or more companies that serve one segment of the industry market or belong to the same industry, and the remaining organizations of the municipality serve only the internal needs of the town and the population living there;
- a strong dependence of the revenue side of the budget of the municipality on the work of a large enterprise located in this town;
- the lack of developed transport infrastructure connecting the town with the outside world or the greater remoteness of the municipality from larger settlements, which reduces the possibility of mobility of town residents and causes difficulties in transporting goods;
- the population of the town is equally professional.

Today in Russia, according to the estimates of the Ministry of Economic Development of the Russian Federation, there are 313 single-industry towns in 61 constituent entities of the Russian Federation, which cover about 15.5 million people. In the Irkutsk region there are 8 single-industry municipalities with a population of more than 380 thousand people [7,8].

Town-forming enterprises form the socio-economic environment of single-industry towns, the qualitative characteristics and level of development of which determine the living standards of the population of this town.

In turn, the investment attractiveness of this territory, the development of social, economic, engineering infrastructure, government policy and other conditions make up the external environment of the enterprise. Thus, the development strategy of single-industry towns depends on the activities of town-forming enterprises.

The main problem of the development of single-industry towns is the narrow specialization of the economies of such towns. Due to the high degree of mono-profile, the development of the municipality becomes dependent on environmental changes and unstable to negative external influences. Therefore, a decrease in demand and prices for products manufactured at town-forming enterprises and a change in the external environment are introducing the economy of the entire town into a long crisis [9].

The formations of a market economy, the formation of a new external environment and the change of ownership of most companies have made the company experiencing great difficulties, the corresponding single-industry towns and their residents. It has become even more difficult with the
onset of the global financial and economic crisis of recent years [10]. This crisis has greatly changed the socio-economic situation of single-industry towns. The closure of investment programs, the fall in the value and demand for export products, technological backwardness and insufficient resources lead to a significant decrease in the profitability of production and the profit of town-forming enterprises.

In this regard, enterprises introduce anti-crisis measures: they reduce investment programs and staff costs, many enterprises completely stop their work. Because of this, social problems are exacerbated. [11]. Residents of many single-industry municipalities are on the verge of survival due to a strong reduction in wages and lack of work. The difficult situation is aggravated by the increase in tariffs for housing and communal services, the rapid growth of inflation, unpaid loans and an increase in prices for goods and services.

Monotowns are now in conditions of ever-increasing unemployment, declining incomes of the population, migration of able-bodied young people to other cities, the town budget is heavily dependent on taxes paid by the town-forming enterprise, insufficient job opportunities and low birth rates. All this suggests that single-industry towns are now at risk of transition to a group of depressed towns. Depressiveness can also be characterized by low investment, hidden unemployment and poor public health. [12].

According to the Ministry of Economic Development, today 89 Russian single-industry municipalities have a relatively favorable situation. The unemployment rate does not exceed the national average of 5.2% (data for 2017) [13]. 149 single-industry towns currently have more unemployed than the national average. And 75 single-industry towns have unemployed 2-3 times higher than the average for the Russian Federation. These factors are the reason for the mass migration of residents from single-industry towns. [14,15].

Thus, the problem of the functioning and development of single-industry towns has become very acute and has acquired strategic importance not only for individual regions and municipalities, but also for the Russian economy as a whole. The solution to this problem requires government intervention.

3. Experiment
In order to develop the economy of single-industry towns, the Government of the Russian Federation has developed a set of measures to support them using the selected single-industry development strategy (see table 1). This set of measures gives particular importance to supporting small businesses as a factor in the possibility of diversifying the economy of single-industry municipalities. Small business primarily contributes to the formation of a competitive environment and provides residents of single-industry towns with goods and services. It also performs social functions at the level of single-industry towns, such as creating new jobs for the population of the municipality and ensuring the growth of tax revenues in town budgets.

| Characteristic of the economic condition single-industry towns | Development strategy |
|---------------------------------------------------------------|----------------------|
| Single industry towns that are temporarily in economic decline according to industry dynamics | Investment support, diversification of the economy |
| Single-industry towns in a gradually worsening situation | Diversification of the economy |
| Economically promising single-industry towns, but with a mistakenly chosen line of business | Diversification of the economy |
| Economically promising single-industry towns | Maintaining a single-industry economy |
| Subsidized single-industry towns as a result of tax policy by | Adjustment of tax policy |
From the data in table 1.6 it is seen that the development of single-industry towns in a difficult socio-economic state or in a risk zone needs a strategy for differentiating the economy through the development of small and medium-sized enterprises. At the moment, single-industry towns of Russia have poorly developed small businesses. The share of small enterprises in most single-industry Russian municipalities is from 1% to 13%, which is much lower than the average for Russia [16]. The development of small business in single-industry cities cannot take place without impressive support from the state due to the crisis situation in single-industry towns, outdated infrastructure, the lack of personnel of different professional backgrounds (most of the population has been working in a city-forming enterprise all its life and has the same professional tasks) and other factors limiting the activity of small enterprises in single-industry towns [17].

The administrations of most single-industry towns with a crisis state of the economy have modernization plans aimed at developing small and medium-sized businesses through the implementation of a range of incentive measures. For example, the state contributes to the development of small business in the city of Baikalsk, Irkutsk Region (a single-industry town with a difficult socio-economic situation) through the implementation of the municipal program “Development of Small and Medium Enterprises in the Baikal Municipal Formation for the Period 2016–2022”. The following activities are planned under this program:

- creation of a favorable external environment for the development of small and medium enterprises;
- financial support for small and medium-sized businesses, as well as support for organizations that form the infrastructure for supporting small and medium-sized enterprises;
- support for small and medium enterprises in the field of innovation, industrial production, agriculture, social entrepreneurship, folk art crafts, handicrafts and eco-tourism.

The role of small business is not only its economic functions. Small business is also presented as a social phenomenon that implements entrepreneurial initiatives, provides not only employment but also self-employment, introduces innovations and provides many other effects in society.

It should be noted the political role of small business. Small business has the greatest propensity for political stability, economic freedom and the principles of democracy in the presence of conditions of sustainable political and socio-economic development in society. The layer of small owners is desperately ready to protect their property in case of a threat, because for small entrepreneurs, unlike large and medium-sized entrepreneurs, their property is often an important way of expression and the only way to make money.

The middle class, represented by small business, defending their rights can form their own political movements or can become the object of the struggle for the votes of voters of various political forces in the country. Therefore, small business has an inextricable link with the interests of regional and local political movements. This fact determines the significance of the national basis for small business and forms its patriotic moods.

Small business has a strong political influence in various countries, because on the basis of this social group the middle class has long been formed. This is the largest class, which expresses the political mood and preferences of a significant part of society. In Russia, this class does not exert such a strong influence on politics due to the insufficient development of small business.

Small business is becoming a very important factor in solving social and economic problems with a developed infrastructure, a high number of small businesses and state support. Let us single out the
main social functions of small business:

- creation of a social layer of owners;
- formation of additional jobs;
- disclosure of people's talents, realization of their creative abilities, development of various types of folk crafts;
- reduction of social tension in the country and unemployment;
- involvement in labor activity of certain groups of the population, the employment of which is limited in large firms (pensioners, housewives, students, disabled people);
- solving problems of municipal and regional development.

Social and economic tension is especially felt in regions with a raw material orientation of the main industries, poorly developed infrastructure and agriculture, remote from trade and industrial centers and roads, with a monostructure of towns. The development of such cities is impossible without the participation of small enterprises. Small business helps improve the functioning of the economy of small towns, reduces the differences between central and provincial towns and improves the intellectual level and lifestyle of the population.

Small business because of its features has a pronounced municipal and regional focus. Small enterprises usually conduct their activities based on the needs of the local market and the possibilities of saturation, as well as on the basis of the structure and volume of local demand. In the conditions of economic independence of municipalities and regions, small business should be considered as a necessary means of improving the structure and overall state of the municipal and regional economy, including the economy of single-industry towns.

4. Conclusions

Thus, small business plays not only an economic role in the development of the entire state, including single-industry towns, but it can also fulfill political and social functions. Small business provides the population with goods and services, creates a competitive environment, provides employment and the implementation of entrepreneurial initiatives, which is so important for the development of single-industry towns, which are now in a difficult situation. Small business is able to act as a factor in the socio-economic development of single-industry towns if the authorities implement an effective policy to support and develop small business, especially with regard to the competent implementation of tax and financial policies.

Small business is a sector of a market economy that includes enterprises that have restrictions on the number of employees, the size of revenue and the structure of the authorized capital called quantitative criteria. Small business also has qualitative criteria (qualitative characteristics) such as independent management of the company by the entrepreneur, ownership by the entrepreneur of the largest share in the authorized capital of the company, direct and constant contact of the entrepreneur with staff, and much more.

The development of small business in single-industry towns should be accompanied by state support, which in turn requires constant improvement. At the moment, the state helps the development of small businesses through measures such as the creation of a support infrastructure, the provision of financial and informational assistance, and legal regulation of the activities of small businesses. Thus, the development of small business is an important criterion for the effectiveness of the economy and a condition for a stable social and economic situation in the country, in the regions and in such special municipalities with an unstable position as single-industry towns. The problems of single-industry towns are currently associated with the difficult state of city-forming enterprises, with high unemployment, and increasing population migration.

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