Subjective assessments' analysis of the control and supervision activities' impact on the functioning of small and medium-sized enterprises in the Russian Federation

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Abstract - The purpose of the article is to analyze the subjective assessments of entrepreneurs regarding implemented control procedures in the context of the reform of control and supervision activities.
Research Methods. The methods used in the article are analysis, synthesis, description, classification, as well as special sociological methods.
The results of the study. The authors conducted a sociological study that substantiated the need to improve existing indicators for assessing the control and supervision activities' impact on the functioning of small and medium-sized enterprises. The article substantiates such barriers to reforming control and supervision activities as the volume of unscheduled inspections, insufficient information transparency, and legal illiteracy of business.

Key-Words: - control, supervision, small and medium-sized enterprises, reform, administrative load

1 Introduction

The formation of entrepreneurship' state regulation system involves the improvement of control and supervision activities. The vectors of this sphere reforming are the simplification and streamlining of procedures for control and supervisory measures, as well as an assessment of the impact of these measures on the effectiveness of business structures the functioning in general.

This assessment is particularly relevant in relation to the study of the functioning of small and medium enterprises, which is justified by a number of factors. It allows to solve such social problems as self-employment and the creation of new jobs. The number of employees in the field of small and medium-sized enterprises is 25% of the total number of people employed in the economy in 2017 [1]. Thus, one in four workers in Russia works for small and medium enterprises.

Streamlining the procedures for control and supervisory measures in relation to small and medium-sized enterprises is designed to reduce the administrative burden in accordance with the reform of control and supervisory activities. At the same time, the implementation of this reform is currently confirmed by an ambiguous nature and requires assessment in terms of how the first results affect the functioning of small and medium-sized enterprises.

The issues of control and supervision are disclosed in the writings of I.A. Azgarovich and K.K. Vyacheslavovna [2], E.A. Farvazova [3], B.A. Voronin, A.G.Svetlakov and Ya.V. Voronina

[4], O. Rubaeva and E. Kachurina [5], I.V. Vyakina [6], V.V. Klimanov [7] and etc.

Federal Law No. 294-FL dated 26 December 2008 "On the Protection of the Rights of Legal Entities and Individual Entrepreneurs in the Implementation of State Control (Supervision) and Municipal Control" distinguishes two types of state control: federal and regional [8]. However, this law does not provide a clear distinction between terms. Scientific discussions on the ratio of these cconcepts have been going on for quite some time. In this case, it is possible to distinguish three main points of view presented in the scientific papers.

According to the first point of view, control is synonymous with supervision [9]. The second position is that supervision is included in the concept of control and vice versa. In addition, in the legal papers we can find a third point of view: state control and state supervision - separate self-sufficient power functions [10].

In our opinion, these terms are not synonymous. Under the control, including the control of entrepreneurial activity, it is necessary to understand the activities of government aimed at monitoring the certain areas of society state (with the possibility of interference in the economic activities of entrepreneurs), analyzing the results in accordance with the goals, and also activities aimed at ensuring the rule of law using administrative coercive measures. Supervision is the activity of authorized public authorities aimed at ensuring the rule of law.

The control and supervision functions of state authorities are carried out in accordance with and based on the principles of the Reform of Control and Supervision Activities Program (dated 21 December 2016). The program targets are:
− reduction of damage to values protected by law (human life and health) by 50%;
− reduction of the level of material damage by controlled types of risks by 30%;
− reduction of the administrative burden on organizations and citizens engaged in entrepreneurial activities by 50%;
− improving the effectiveness of the organization of control and supervision activities;
− doubled the quality index of the administration of control and supervision functions.

According to all-Russian non-governmental organization of small and medium business "Opora Russia", the highest numbers in terms of the number of inspections in 2017-2019 belong to the following departments:
− the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor);

− Federal Environmental, Industrial and Nuclear Supervision Service (Rostechnadzor);
− The Federal Service for Labour and Employment (Rostrud);
− The Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters (EMERCOM of Russia) [12]−[14].

As part of the control and supervisory activity reform, by order of the Government of the Russian Federation dated 17 May 2016 No. 934-r, the categories of effectiveness and efficiency of state control (supervision) and municipal control, a standard list of indicators of the effectiveness and efficiency of control and supervisory activity were approved. In our opinion, the existing set of indicators is insufficient, voluminous, and not universal. The result of this is the attempts of individual researchers to offer recommendations for improving the methodology. Research review [15]; [9]; [16]; [17]; [18] allows to talk about the redundancy of indicators in conjunction with the uncertainty of information sources, calculation mechanisms and responsible; the lack of a complete picture and a unified methodology for studying the influence of control and supervision activities on the functioning of small and medium-sized businesses due to the presence of many additions to the government methodology in the form of private indicators.

2 Methods

The authors used such general scientific methods as analysis, synthesis, description, classification, as well as special sociological methods to study the influence of control and supervision activities on the functioning of small and medium enterprises. The authors developed a questionnaire to assess the opinions of entrepreneurs on the impact of verification activities on their functioning. The structure of the questionnaire is as follows:
− general information about the type of activity and the size of the enterprise;
− information on identifiable types of control and supervisory activities and risks arising in the course of control and supervisory activities;
− information on dynamic changes and stability of risk assessments of control and supervisory activities;
− information on significant changes in internal processes based on the results of control and supervision measures;
− information on the dynamics of the economic costs incurred in the course of the control and supervision measures;

− control questions about violations and the experience of challenging the revealed violations during the control and supervision measures.

The study was carried out by questioning a set of small and medium-sized businesses from legal entities that were the objects of control and supervision activities of state authorities and local authorities. To calculate the sample size, we used the formula of simple non-repeated sampling. When assessing the total population of the sample, the authors proceeded from the following conditions:

− the total number of legal entities, individual entrepreneurs operating in the Sverdlovsk region, whose activities are subject to control and supervisory measures in 2019, amounted to 275357 organizations (of all sizes and types of ownership, according to form No. 1-K of the Rostrud);

− the total number of small and medium-sized businesses operating in the Sverdlovsk region in 2019 amounted to 8045 organizations (according to the Federal State Statistics Service);

− taking into account the continuous (mass) obligation to fulfill the requirements of the law by all legal entities, the indicated number of small and medium-sized enterprises is included in the indicator of the number of legal entities subject to verification;

− in accordance with the plan of verification of legal entities by Rostrud for 2019, presented on the website of the State Labor Inspectorate of the Sverdlovsk Region, the number of entities verified by the plan was 405 legal entities. The number of unscheduled inspections for 2019 amounted to 4248 (according to form No. 1-K). This control and supervisory authority was selected for calculation due to the most widespread nature of verification activities. Each year, the structure of organizations checked by Rostrud in terms of size and ownership changes, there is no pattern in this case. Therefore, we can assume that in the extreme case, all the audited organizations will be small and medium-sized enterprises. In this case, the size of the total population will be 4653 subjects.

The size of the sample totaled 355 people (General population N=4653, margin of error 5%, confidence level 95%). Questioning was carried out by sending questionnaires to e-mail with the possibility of filling in electronic form. All profiles were completed anonymously. The actual number of profiles was 341 units or 96% of the planned value. Given the assumption of the size of the general population, the author has taken this value as a confidence value.

3 Results

The statistical scatter of the respondents in terms of types of activities showed that more than half of small and medium-sized businesses represent such types of activities as trade, services, transport, and light industry. This situation reflects the trend of the general population (Figure 1).
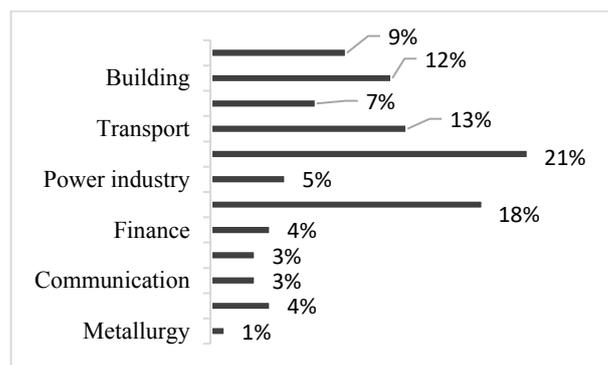

Figure 1. Distribution structure of the surveyed subjects of small and medium-sized enterprises by type of activity,% (nominal scale).

The distribution of respondents by business category showed the prevailing value of small businesses — 43% (Figure 2).
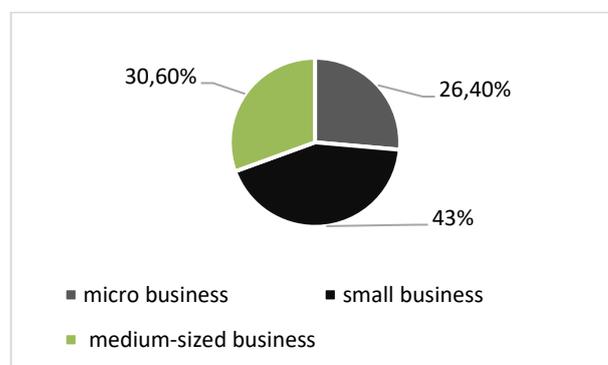

Figure 2. Structure of the distribution of questioned subjects of small and medium-sized enterprises by business category,% (nominal scale).

Table 1 shows the distribution of respondents' answers to the question of what types of control and supervision carry the greatest risks for small and medium-sized businesses.

Table 1. Distribution of responses of respondents about the risk from inspections by type of government, in points (from 1 to 5, ranking scale)

Type of control / supervision	Assessment of risks *
fire supervision (EMERCOM of Russia)	4,7
sanitary and epidemiological surveillance (Rospotrebnadzor)	3,9
tax control (Federal Tax Service of Russia)	4,5
customs control regarding the circulation of goods in the country (Federal Customs Service of Russia)	2,8
industrial safety supervision (Rostekhnadzor)	2,6
energy supervision (Rostekhnadzor, other bodies)	2,3
construction supervision (constituent entities of the Russian Federation, Rostekhnadzor)	2,6
supervision of compliance with labor laws (Rostrud)	4,2
control (supervision) in the field of migration (Federal Migration Service of Russia)	3,6
veterinary supervision (Rosselkhoznadzor)	2,1
land supervision (The Federal service for state registration, cadastre and cartography and other bodies)	1,9
environmental supervision (Rosprirodnadzor)	2,1
control (supervision) over compliance with technical regulations (Rosstandart and other bodies)	2,3

* Risk assessment was carried out using the weighted average method

More than a third of respondents noted that the practice of carrying out control and oversight activities over the years of reform implementation has not changed, about 18% of the respondents found minor deterioration, 23% indicated minor improvements (Figure 3).
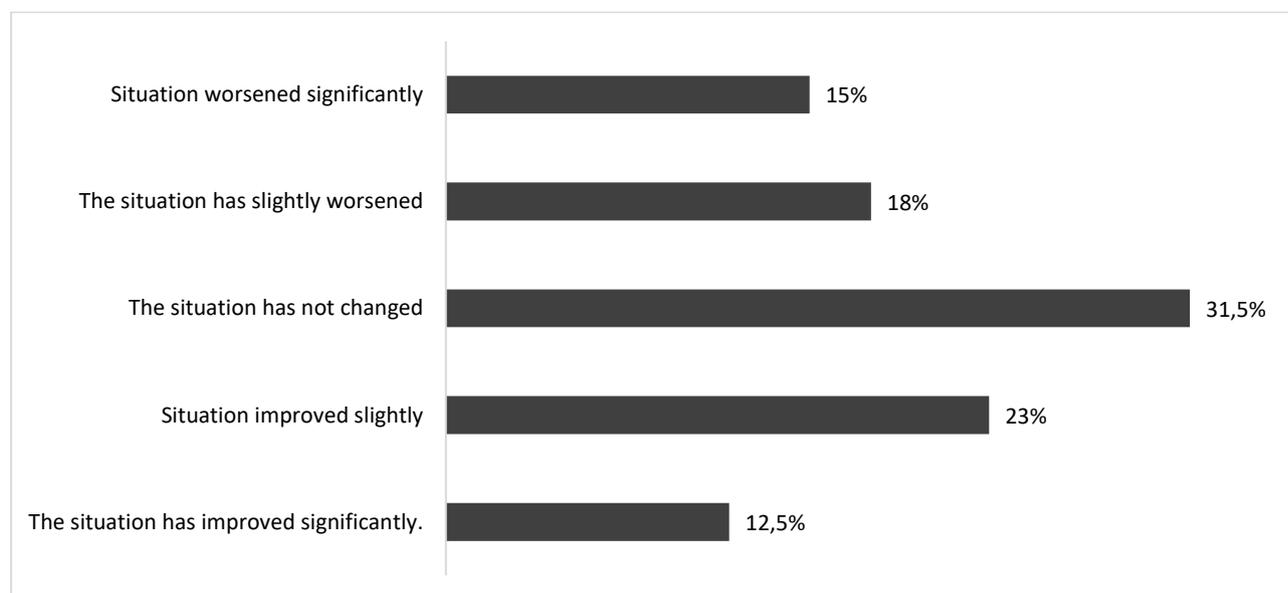

Figure 3. Assessment by respondents of changes in the practice of implementing control and supervision activities,% (nominal scale)

Assessments of the situation with the reform of control and supervision activities were repeated when answering the question of economic costs. 37% of respondents said that the situation has not changed, 24%

noted a slight deterioration, for 15% of respondents the increase in administrative costs became very sensitive (Figure 4).
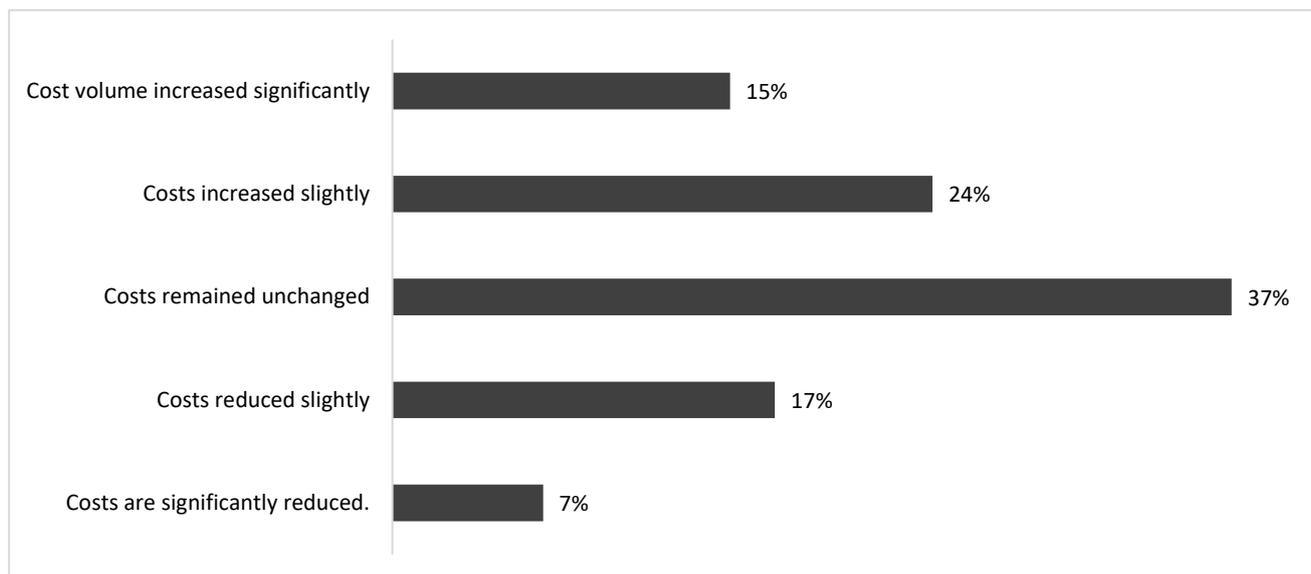

Figure 4. Assessment of changes in economic costs during the control and surveillance activities,% (nominal scale)

Table 2 shows the distribution of respondents' answers about the nature of the influence of control and supervision activities on the internal processes of enterprises.

Table 2. Distribution of respondents' answers to the question "Assess the impact of state control on various areas of your company's activity" % (ranking scale)

Field of activity	Positive	Rather positive	Neutral; does not affect	Rather negative	Negative
Activities of the company as a whole	0	10	15	47	18
Product quality	5	14	56	21	4
Product range	1	21	59	17	2
Product safety	12	20	39	19	10
Working conditions	7	36	33	14	10
The quality of the production processes organization	2	18	19	36	25
The quality of the logistics processes organization	0	24	24	31	21

According to the respondents, the most negatively reflects the control and supervision activity on the quality of the organization of production and logistics processes. It is estimated that the result of such activities has practically no effect on the quality and range of products. Regarding product safety, respondents were divided almost equally. In general, 47% of questionnaires noted that inspections negatively affect all activities, only 10% associates inspections with significant improvements in activities.

There remains a very high negative assessment of violations committed by the subjects of small and medium-sized businesses. So, only 5% of respondents recognized the existence of substantiated and significant violations, 43% of the respondents indicated insignificant and far-fetched violations identified during inspections, 26.5%

recognized the significance of violations, but did not agree with the threat to "values protected by law". These results indicate a low culture of assessing the impact of violations on the continued functioning of business entities, underestimating the importance of factors, and a lack of understanding of the magnitude of damage from

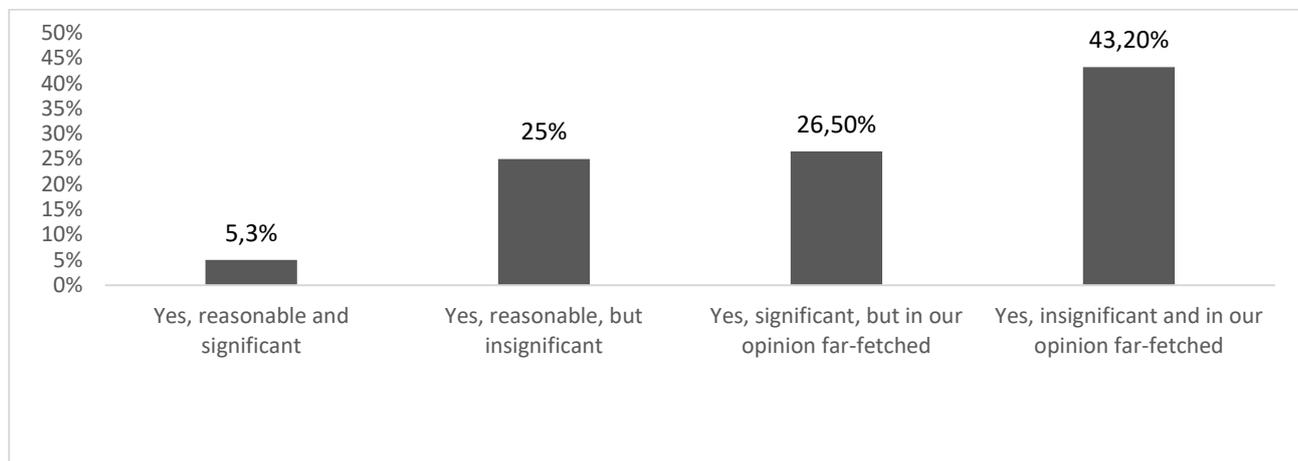the fact of violation and its consequences (Figure 5).

Figure 5. Distribution of respondents' answers to the question "Have any violations been revealed in the activities of your company during the inspections?", % (nominal scale)

Moreover, the low culture of interaction and legal understanding was also reflected in the respondents' answers about the experience of appealing against the results of inspections. Despite the fact that the majority of respondents believed that the violations identified were far-fetched, only 14% went to court or to a higher

authority, about a third of the respondents admitted that they did not try to appeal, and about 38% said that they had experience of treatment, including. The pre-trial settlement was unsuccessful (Figure 6).
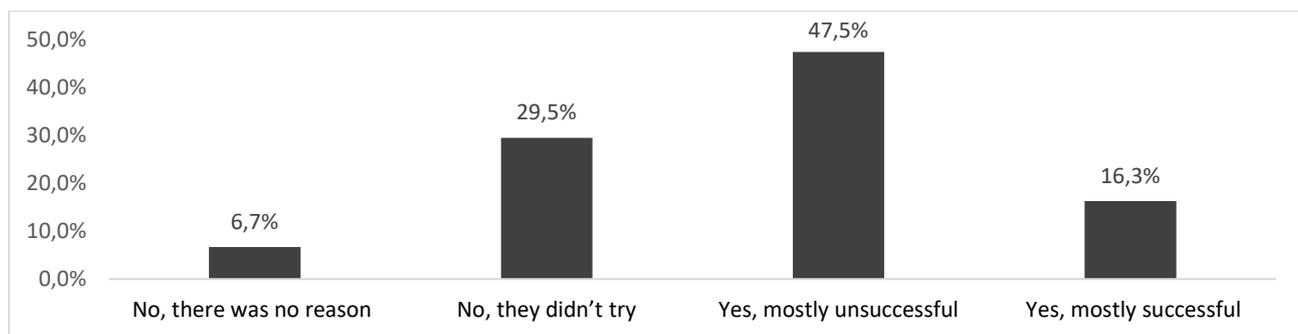

Figure 6. Distribution of respondents' answers to the question "Do you have any experience in appealing against audit results?", % (nominal scale)

4 Discussion

The study is significant not only for the Sverdlovsk region, but also for Russia as a whole, since the implementation of control and surveillance activities is carried out in order to verify compliance with Federal legislation, as well as methods and tools approved at the level of a priority federal project. The study showed that the most massive types of control and supervision, contrary to the objectives of the reform of control and supervision activities, remain the most risky

for business. Fire control, tax control and supervision of compliance with labor laws raise the greatest fears of business risks. At the same time, sanitary and epidemiological surveillance, migration and customs control also have high values, which is associated with a high share of service, catering, and trade entrepreneurs among respondents. Land, environmental, technical and industrial types of control and supervision measures are

not identified by business with direct cash losses and associated risks.

The responses confirmed the findings of a predominantly negative assessment of the impact of the regulatory authorities activities on the activities of small and medium-sized businesses. Moreover, in the responses of respondents revealed unarticulate fear and unwillingness to interact with authorities, both during and after the verification procedures. The authors attribute this fact to the underdeveloped culture of business economic behavior, underestimation of the importance and the need to comply with regulatory requirements, as well as the fact of legal illiteracy, information gaps in relation to the list of requirements that are mandatory and verified by the control and regulatory bodies, and the procedures and consequences of verification measures.

Control and supervision activities improving is seen in reducing the volume of unscheduled inspections and increasing information transparency, legal literacy of business. As for the existing practice of evaluating the effectiveness and efficiency of control and supervisory activities in relation to small and medium-sized enterprises, in the opinion of the author, it should be supplemented by indicators to assess the actual impact of verification procedures on the functioning of the business. This assessment can be carried out through economic and statistical analysis and sociological methods.

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Contribution of individual authors to the creation of a scientific article (ghostwriting policy)

Author Contributions:
Example
Olga Trofimova and Aleksey Ruchkin studied the theoretical foundations, developed a research program, and analyzed the data. Ekatherine Kot and Olga Ruschitskaya was responsible for data collection, piloting of the study. Viktor Kukhar processed the received data.

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