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The Role of Financial Regulation in The Development of Business Activity

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Abstract

the article considers that state financial regulation is mainly a set of measures and methods of financial influence on economic entities. Also, with the help of studying the experience of developed countries, all the functions necessary to ensure the normal course of the reproduction process and the full life of the society were analyzed.

Keywords*: entrepreneurship, financial regulation, economic regulation, administrative regulation, indirect and direct regulation, economic entities.*

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Financial regulation of the state can be expressed as a set of measures and methods of financial influence on economic entities. Financial regulation is aimed at equalizing macroeconomic processes in the country and developing the economy, distributing and redistributing funds to meet the needs of society. State regulation methods, despite their certain diversity, can be divided into the following groups: administrative (and legal) regulation, direct and indirect economic regulation.

Administrative methods of regulation include various measures to control revenues, prices, discount rates, quotas, licensing, etc. All of them are administrative because they are not based on economic interests and incentives that implement them.[1]

Direct economic regulation includes various forms of irrevocable targeted financing of regions, enterprises, industries – these are subsidies or direct subsidies, which are various types of subsidies, allowances, special budgets of different levels (national, regional, local) and includes additional payments from extra-budgetary funds. This includes soft loans.

"Indirect forms" of economic regulation include policies carried out by the state in the field of credit and finance, currency, foreign economic (including customs), tax systems, depreciable property, etc. Therefore, the state, using economic interests and incentives, influences the economic behavior of economic entities operating as producers and consumers. In other words, indirect forms of economic regulation affect production and consumption indirectly, automatically, and do not address them.

Western experts take a broader view of indirect economic regulation, including various measures to create a competitive environment. The most effective means of indirect influence are: creation of technologies and factors of production corresponding to the modern level, formation of national priorities of scientific and technological development, stimulation of competition and demand for high-quality products. The experience of developed countries shows that all the functions necessary for the normal course of the reproduction process and ensuring the full life of society are not performed through market relations, because the free market mechanism is often insufficient to ensure macroeconomic stability.[2]

In industrialized countries, the formation and development of the public sector took place in almost the same industries (coal industry, electric power, marine, railway and air transport, aviation and cosmonautics, atomic energy, etc.). As a rule, we are talking about sectors where there are investment resources, that is, the set of equipment and mechanisms necessary for production is of particular importance, and their price is high. However, this amount of investment resources makes these industries very sensitive to competition and periodic crises.

The direct intervention of the state is the adoption of legislation aimed at regulating and developing relations between all elements of the market system. Examples of state regulation of the economy through the issuance of legal documents are extremely diverse.

Depending on the goals of direct state intervention, economic policy measures can be

[1] Aluyan V. S., Sheludko E. B. Ustoychivoe razvitie regionalnoy ekonomiki: problems and perspectives // Ekonomika i predprinimatelstvo. – 2015. – No. 3 (56). - P. 241–243.

[2] Vorobeva I.P. Gosudarstvennoe regulirovanie natsionalnoy ekonomiki: uchebnoe posobie / nauch. ed. Yu.S. Nekhoroshev. - Tomsk: Izdatelsky dom TGU, 2014. – P. 92-94.

directed to:

- stimulation and restoration of investments;
- balance between savings and investments;
- ensuring full employment;
- promotion of export and import of goods, capital and labor force;
- influence on the general level of prices and for the purpose of stabilizing the prices of certain specific goods;
- supporting sustainable economic growth;
- income redistribution and some other purposes.[3]

The use of different forms of regulation by the state does not mean replacing market relations with administrative relations, because a specific economic entity - the state - operates in the national economy. One of the effective measures to influence economic development is financial regulation by the state.

The correctness of forming financial relations with economic entities is also determined by the fact that the state fulfills its assigned functions and indirectly regulates the costs of the entrepreneur in order to optimize the price policy, demand and supply in the market. Reasonable determination of the costs of production and sale of goods and services affects the profitability of the producer of goods and their compatibility with socially necessary costs for the efficiency of production and the economy as a whole.

Thus, financial regulation of entrepreneurship is intended to play an important role in the implementation of state policy in the field of small business support. In this regard, the formation of the market gives rise to functions and corresponding institutions, such as finance, banking system, etc., which require centralized management. Later, with the development of science and technology, new types of industry also require centralized intervention in their production process. These regulatory levers connect the interests of business entities of different levels and different social groups, help to equalize their financial situation, protect the weakest sectors of the economy and population groups, and achieve the priority goals of economic development.

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