Market Regulators of Service Spheres Innovative Development as a Tool of Regional Socio-economic Policy

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ABSTRACT

The relevance of the study is conditioned by the innovative development of service spheres as the reduction of territorial social and economic differentiation to the level, due to objective differences of the regions and to balance of their revenue base and expenditure commitments. The service sector is one of the most dynamic and growing segments of regional markets and one of the characteristics of effective socio-economic policy in the region. Innovative development of service spheres as a tool for regional socio-economic policy is aimed at creating of a society of equal opportunities, sustainable increase of citizens’ welfare and reduction of poverty and decrease of population’s differentiation by income level. Market regulators of innovative development of service spheres ensure their sustainable capitalization, which is manifested in the competitiveness’s increase of service spheres and the growth of investment attractiveness of the service spheres. The purpose of the article is to identify the characteristics of the market regulators of innovative development of service spheres as a tool for regional socio-economic policy. A leading approach is the institutional approach that considers market regulators of innovative development of service spheres as mechanisms to ensure the growth of profitability from the assets of the service spheres while risk diversifying and to apply to improve the citizens’ life quality and meet the needs for public goods. The article presents the mechanisms of expanded reproduction of various forms of capital and the establishment of regional services markets; clarifies the mechanism of capitalization of the service spheres that contribute to maximizing of their assets’ value in the process of socio-economic activities; provides a mechanism for assets’ management in the service sector. The paper submissions will be useful for specialists of Federal and regional authorities, local governments, line ministries, scientists interested in issues of regional economy and management of services.

Keywords: Innovative Development, Economic Systems, Regional Market of Services, Regional Economy, Management of Services Sphere

JEL Classifications: C15, F15, H43

1. INTRODUCTION

1.1. The Relevance of the Study

The relevance of the study is conditioned by the innovative development of service spheres as reasons to reduce territorial socio-economic differentiation to the level, due to objective differences of the regions and to balance of their revenue base and expenditure commitments (Kolomiychenko and Rokhchin, 2003). The growth of assets’ yield from the service sector while risk diversification, aimed at innovative development of service industries, the satisfaction of population’s needs for public goods and improved quality of life, provides a balanced socio-economic development of territories in a Federal state. It is found that a balanced territorial development of a Federal state involves the creation of conditions that allow each entity to have necessary and sufficient resources to ensure decent living conditions of citizens, complex development and competitiveness’s increase of the regional economy. This leads, firstly, to the improvement of the comprehensiveness and balance of socio-economic development of entities of Federation (Lunev et al., 2014b), and secondly, the integration of the commitments of
the Federal, regional and municipal authorities and their financial possibilities for environmental and sector development in order to reduce the level of interregional differentiation in the quality of life (Satarov, 2004). The service sector is one of the most dynamic and growing segments of regional markets and one of the characteristics of effective socio-economic policy in the region (Kuznetsova, 2009). Innovative development of service spheres as a tool for regional socio-economic policy is aimed at creating of a society of equal opportunities, sustainable increase of citizens’ welfare, reduction of poverty and population’s differentiation by income level (Polynov, 2010). Market regulators of innovative development of service spheres ensure sustainable capitalization, which is manifested in the competitiveness of service spheres and the growth of investment attractiveness of the service spheres. The purpose of the article is to identify the characteristics of the market regulators of innovative development of service spheres as a tool for regional socio-economic policy.

2. MATERIALS AND METHODS

2.1. Methodological Approaches to the Study
A leading approach is the institutional approach that considers market regulators of innovative development of service spheres as mechanisms to ensure the growth of profitability from the assets of the service sphere while risks’ simultaneous diversifying and to apply them to improve the citizens’ life quality and meet the needs for public goods.

2.2. Methods of the Study
During research the following methods were used: Analysis of normative documents, content analysis, foresight, facet method, classification and synthesis of facts and concepts, modeling, expert evaluation method.

2.3. Approbation of the Research Results
Approbation of the research results was conducted in the process of the concept’s development for long-term socio-economic development of the Smolensk region of Russia till 2020. Identified market regulators are embedded in the program of innovative development of the tourism industry.

2.4. Stages of the study
The study was conducted in three stages:

• The first stage analyzed modern state the research problem in economic theory and practice.
• The second step revealed the mechanisms of expanded reproduction of various forms of capital and the establishment of regional services markets, the capitalization of the service spheres and assets’ management in the service sector.
• The third stage involved the systematization, interpretation and synthesis of the research results; refined theoretical conclusions; processed and presented the obtained results.

3. RESULTS
The main results of the study are: (1) The mechanisms of expanded reproduction of various forms of capital and the creation of a regional market of services; (2) the mechanism of capitalization of the service spheres that contribute to maximizing of their assets’ value in the process of socio-economic activities; (3) the mechanism of assets’ management in the service sector.

3.1. Mechanisms of Expanded Reproduction of Various Forms of Capital and the Establishment of Regional Services Markets
In the article “forms of capital” Pierre Bourdieu proposed the concepts of objectified and incorporated capital. Bourdieu writes that capital, depending on the area in which it operates, and by the price of more or less serious transformations, which is a prerequisite for its effective action in this area, can act in three main guises: Economic capital, which is immediately and directly converted into money and institutionalized in the form of property rights; cultural capital, which under certain conditions is converted into economic capital and may be institutionalized in the form of educational qualifications; social capital, formed by social obligations (“connections”), which under certain conditions is converted into economic capital and may be institutionalized, for example in the form of aristocratic title (Bourdieu, 2002). Cultural capital, according to Bourdieu, can be in three states: (1) Incorporated (embodied - Includes species of capital operating within the social environment, and, as a rule, do not have their material expression. In material form the incorporated capital is manifested through its conversion into various types of objectified capital through “finding owner with legal rights.” To incorporated capital the entrepreneurial and managerial culture, skills and experience, image and reputation, public acceptance can be attributed); (2) objectified (objectified state, i.e., in the form of cultural goods (pictures, books, dictionaries, instruments, machines, etc.), natural resources, fixed assets, real estate, Finance. Objectified capital includes forms of capital that function within the physical environment, and provide the society factors of production); (3) institutionalized (institutionalized state, i.e., in the form of objectification. The conversion of the incorporated and objectified capital into the institutional capital depends on a very wide range of factors (cultural characteristics, regulatory environment, etc.).

It is established that from the point of view of social development it is necessary to create favorable conditions for the formation of objectified capital on the basis of availability and the improved quality of incorporated capital (e.g., by improving of social security system, the development of the education system, labor market, etc.). This, ultimately, leads to concentration of capital. And this affects directly the competitiveness of a particular community, its profile’s increasing in the systems of movement and redistribution of capital. It is found that while the prevalence of priority of accelerated reproduction of objectified capital the service sector of the region becomes a structural part of the national market of services with a specific specialization, concentrating the separate phases of socio-economic activities (distribution of services, exchange). In this case, objectified capital is of paramount importance. The allocation of this capital allows making of an initial differentiation of society. For example, systematic land development, tourism’s development on the base of recreational areas.
With the priority prevalence of rapid reproduction of incorporated capital the primary one is becoming the development of the intangible values and the formation of own unique brands, which are the basis to generate their own value chains. Through brands it is possible to attract in the region various types of objectified capital, and with it, to design services market. Thus, the region becomes a center of accumulation and management of capital flows with appropriate expertise in the service sector. From this point of view, very interesting is the development of recreation tourism and travel. High rates of growth of the population’s welfare, especially in major Russian cities define rates’ high growth of market for recreational travel and tourism. The middle class’s representatives - Businessmen, who in the past could rest abroad and for the last 15 years managed to visit many countries today increasingly make a choice in favor of domestic tourism (Table 1).

From the point of view of market potential the recreational tourism is one of the fastest growing segments of the Russian market. It includes as outdoors camping so fishing, hunting, active ecological types of tourism and different ways of their combination. In recent years there is a very high demand for this type of rest among the inhabitants of the metropolises and big cities. It is found that, based on tourist preferences, the market can be divided into segments possessing the set of factors of competitiveness (Table 2).

The example of Limerick (County Shannon, Ireland) is interesting, which is given in the book Marketing of places. Attracting of investments, businesses, residents and tourists in cities, communes, regions and countries of Europe. The basis for the development of the city and the formation of resident chains of value in this example is the short humorous poem, commonly known and called “Limerick.” On the basis of the concept of the brand (seeing as one of the elements of incorporated capital) its poetry, song, music - Dance and cultural specialization are proposed. To implement them in real products in the territory concert halls are built and the international folklore festival is organized, Limerick University and Limerick language center are opened, a system of specialized Irish pubs is created (Kotler et al., 2005. p. 94). Thus, the allocation of incorporated capital allows carrying out of secondary differentiation of society.

3.2. The Mechanism of Capitalization of the Service Spheres that Contribute to Maximizing of their Assets’ Value in the Process of Socio-economic Activities

It is found that the increase of investment attractiveness of the service spheres leads to the development of their capitalization, which leads to an increase in regional (territorial) capital, under which is understood the value of assets in the area, and that can generate income, or resources made by people to produce goods and services; invested in business and functioning as the source in the form of means of production (Abalkin, 1999).

There are different approaches to the definition of “capitalization.” The classical approach is the definition given in the works of Karl Marx. Under capitalization the transformation of part of profit (income) or total profit (income) into additional paid-in capital, additional paid-in factors of production (means of labor, objects of labor, labor force, etc.), and its use to expand production was understood (Marx, 1967). Now in practice and science the concepts of “market capitalization,” “capitalization by rate split,” “capitalization of profits” are firmly established (Savelyev, 2008). Under the capitalization of the service spheres is understood the growth in the value of their objects and everything that can generate income. This term allows formulating of quantitative goals of the investment attractiveness’s increasing of the service spheres.

As the level of capitalization of the service spheres is a measured value, the measurement of this indicator can be implemented using the capitalization coefficient determined by three methods: By direct overall capitalization; method of straight line capitalization,

Table 1: The main areas of the Smolensk region proposed for development of tourism

<table>
<thead>
<tr>
<th>The main areas proposed for development</th>
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<th>The main resources for tourism development</th>
<th>The scope and level of existing infrastructure of tourist services</th>
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<td>The national Park “Smolensk Lakeland”</td>
<td>The main stream of visitors comes to the Park by personal vehicles on highway routes, as well as through railway station in Smolensk and then by bus to Przhevalskoe. Travel time by public transport from Smolensk takes 2 h, from Moscow - at least 6 h</td>
<td>Rare local lake-river network. The presence of mineralized underground waters and their sources and therapeutic mud (sasopel)</td>
<td>The total number of accommodations in institutions of year-round type is about 1000 units (reconstructed Soviet Fund), in guest houses - 500-600. There are also organized Parking for tourists, which can accommodate up to 1000-1500 people at a time Winter season (7 months) - The general flow of tourists (multi-day stay) - not more than 20 thousand people. In the summer season - 30 thousand + together 30-40 thousand tourists on organized parking. Total annual flux of 50 thousand in fixed locations. The cumulative flow of about 100 thousand people per year Infrastructure for year-round residence on the territory of Smolensk region is practically absent. There is no equipped parking for tourists during the summer season. Developed “wild tourism” degrades the ecological value of the area and practically does not bring funds into the tourism industry</td>
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<td>The territory of the Smolensk region, adjacent to the National Park “Ugra”</td>
<td>150-200 km from Moscow 200 km from Smolensk</td>
<td>R. Ugra. High geo-ecological stability of the territory, resulting in the preservation of almost undisturbed by human activities landscapes</td>
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Table 2: The main areas of the Smolensk region proposed for development of tourism

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The effect of balneological resources of the place interesting from the point of view of exploring the capabilities of the proposed routes; safety; ideas, technologies and social innovations. The possibility of rents' obtaining from natural resource use, due national competitiveness. A source of high income is not only of human creativity in the leading factor of economic growth and Knowledge, intelligence, experience, culture. The formation of an among the existing forms of capital belongs to its intangible forms: markets of goods, capital, technology and labor, but also the by increasing global competition, covering not only the traditional markets of goods, capital, technology and labor, but also the national control system, support for innovation, development of human potential. In these circumstances, the priority significance among the existing forms of capital belongs to its intangible forms: Knowledge, intelligence, experience, culture. The formation of an innovative economy refers to the transformation of intelligence, of human creativity in the leading factor of economic growth and national competitiveness. A source of high income is not only the possibility of rents' obtaining from natural resource use, due to high world market conditions, but also the production of new ideas, technologies and social innovations.

Finding a specific owner and legal status the intangible forms of capital are converted into incorporated capital, which gives the possibility for their involvement in the economic turnover and conversion in various types of objectified capital. In the context of this process the transition from the industrial (first of all material forms of capital - objectified capital) to post-industrial (nonmaterial forms-incorporated capital) forms occurs. According to Pereslegin this process is called cognitive capitalization (Pereslegin, 2016). In our opinion, the definition of the society’s cognitive capitalization’s value will require the development of new areas of knowledge where the focus will be on methods and technologies of assessment of intangible assets. The peculiarity of such intangible assets as knowledge, intellect and culture is the high degree of their distribution in society, which distinguishes them from the majority of tangible assets, which are generally concentrated in the hands of large owners. Thus, the market regulators of innovative development of service spheres lead to the maximization of the value of their assets in the process of socio-economic activities.

### 3.3. The Mechanism of Assets’ Management in the Service Sector

It is found that the assets are treated as: (1) Any property of the company (machinery, buildings, stocks, Bank deposits and investments in securities, patents, and goodwill); (2) any object, either tangible or intangible that is of value to its owner; (3) the set of property rights owned by a physical entity or legal person (Abalkin, 1999). Thus, the purpose and the meaning of the asset are in its ability to generate cash flows and to bring the owner the income and profit in one form or another. For this one need the most complete inclusion of the asset into the economy which largely depends on correct assessment and linkages with other assets. Classification of assets includes several approaches generated on the basis on the core criteria underlying each of them. The greatest interest is represented by the most versatile approach, which provides for the classification of assets by content (Table 3).

From Table 3 it follows that the material and financial assets forming the objectified capital and managed as by business entities so state authorities and local self-government are taken into account and counted and can be expressed in monetary and other equivalent. Intangible assets that form an incorporated capital are created in case of favorable environment of social and economic activities and the development of basic market institutions (property rights, competition, intellectual property, business law etc.).

The concept of the value of the asset is quite wide and includes three aspects (in fact, three ways of asset’s assessment): (1) Physical value of an asset is expressed in monetary units and, as a rule, is maximized for the purpose of sale of the asset; (2) the relative price of an asset is reflected in its higher cost compared with similar assets located in other territories, either in the form of relatively lower costs of production; often is expressed by the notion of allocation efficiency; is maximized to attract other assets; (3) the effectiveness of the asset’s use is expressed in the fullness of the existing potential use of the asset and estimated by relative indicators, for example, an indicator of capital productivity.
The chain of capitalization of service spheres was established presented state of the managed object. For example, in Smolensk region the of incorporated and objectified capital that allows attaining of a new sector in the region as the process of connecting of different forms capital. This allows considering of the capitalization of the services chain the value is created mainly through the use of incorporated various forms of objectified capital, and in the final stages of the capitalization in the service sector of the region, linking activities cost and the cost of related assets. Here one can build a chain of when using of each method to estimate the capitalization of this resources all three of the above mentioned ways are applicable. For example, for such assets as natural assessed from different points of view. This is due to the complexity of their value are applied. Often, one and the same asset can be up the regional component of capital) different ways of assessing To different types of assets of the services sector (which make up the regional component of capital) different ways of assessing of their value are applied. Often, one and the same asset can be assessed from different points of view. This is due to the complexity and the multiplicity of its use, which significantly complicates an objective assessment. For example, for such assets as natural resources all three of the above mentioned ways are applicable. When using of each method to estimate the capitalization of this asset there are different ways and directions of increasing of its cost and the cost of related assets. Here one can build a chain of capitalization in the service sector of the region, linking activities to increase the value of some assets with similar measures for other assets. As the assets of service spheres are closely linked to each other and largely determine their structure and specialization, their complexity should be distinguished as the most important property that allow achieving of the synergy effect in solving the problem of capitalization of the services sector. It is found that at the initial stages of the value chain the priority is assigned by the use of various forms of objectified capital, and in the final stages of the chain the value is created mainly through the use of incorporated capital. This allows considering of the capitalization of the services sector in the region as the process of connecting of different forms of incorporated and objectified capital that allows attaining of a new state of the managed object. For example, in Smolensk region the chain of capitalization of service spheres was established presented in Table 4. Table 4 shows that the development of social and cultural services has led to the development of tourist services and this fact in turn contributed to the development of transport services.

It is found that there is no a complete and comprehensive system of assets’ management of socio-cultural sphere of services in the regions today. Existing differences in the assessment, accounting and calculation of the efficiency of assets’ using in the socio-cultural sphere of services are directly in their managerial mechanisms. The feasibility of specific mechanisms’ using for the assets’ management is determined by their form of ownership. Therefore, the assets’ management system of socio-cultural sphere of services in the region assumes a special form and is not a direct but indirect, as it involves creating of conditions for more efficient use of existing assets in the region by economic entities. It is established that it is impossible to increase significantly the capitalization of socio-cultural services sphere only at the expense of involvement in the turnover of new resources (i.e. increase of physical value of the specific asset), because most of them will still be transformed into other forms of capital outside the region. Therefore, the increase of the capitalization of socio-cultural services sphere is possible only through efficient use of own assets. In practice, the implementation of the proposed mechanism requires an open and mutually beneficial dialogue between regional authorities, local authorities and business structures.
Speeding up of the process of capitalization of the service sphere in the region is possible by selection of the most dynamic entities that will act as “locomotives” and “points of growth” as in relation to a national market, and the socio-economic system of the region. These formations or growth points should constitute the framework for new environmental organization of the region, and, in fact, will be the centers of formation of regional socio-cultural and territorial-production clusters.

4. DISCUSSIONS

Important theoretical and practical significance to research has the works on the theory and practice of management of economic development of the regions Baklanov (2007), Kolomiychenko and Rokhchin (2003), Kuznetsova (2009), Leksin and Shvetsov (2012), Mikhieeva (2000). The research methodology of the competitive capacities of the regions and ways of their improvement are presented in the study by Polynov (2010). The publications about the peculiarities of the regional policy in a Federal state by Satarov (2004), Shulberg and Vvedensky (2000) are of great interest. Our attention was drawn to research on the state regulation of territorial development by Leksin and Shvetsov (2004), Lunev et al. (2014b). Assessing methods of the competitiveness of the enterprises in the services sphere are developed by Vasilieva (2011), Terentyeva et al. (2016). Features of management of services sphere are identified in papers of Polyansky and Soloviev (2001), Lunev et al. (2014a). However, the analysis of scientific works shows that the problem of market regulation of innovation development of service spheres has discussion character. In the literature the features of the market regulators of innovation development of service spheres as a tool for regional socio-economic policies are not revealed; the mechanisms of expanded reproduction of various forms of capital and the establishment of regional services markets, the capitalization of the service spheres and assets’ management in the service sector are not clear.

5. CONCLUSION AND RECOMMENDATIONS

It is found that the features of the market regulators of innovation development of service spheres as a tool for regional socio-economic policy are in the expanded reproduction of different forms of capital and the establishment of a regional market of services; enhancing of the competitiveness of enterprises and agencies of services sphere; capitalization of service spheres that contribute to maximizing of their assets’ value in the process of socio-economic activities; assets’ management in the service sector by providing of the most dynamic entities that act as “locomotives” and “points of growth” in relation to a national market, and the socio-economic system of the region.

Approbation of the proposed market regulators of innovative development of service spheres shows that the main barrier in their application is removing of strategic managerial tools of the main capital owned by inter-regional or international businesses, as well as under Federal ownership, beyond the region, and providing regional, municipal (resident) departments and organizations with the right of operational management. It is found that elimination of this barrier will contribute to: (1) Phased reduction of state involvement in property management in competitive industries through the application of transparent and efficient privatization procedures based on the principles of market valuation, equal access to property and the openness of activities of public authorities; (2) the formation of an effective system of state property management, while ensuring of openness of information about the efficiency of property management, improvement of the management of state shares in joint stock companies; (3) reduction of the amount of property owned by the state and municipal property, taking into account the powers’ providing of bodies of state power and bodies of local self-government.

The article submissions will be useful for specialists of Federal and regional authorities, local governments, line ministries, scientists interested in issues of regional economy and management services.

Taking into account the obtained results of the study a number of research challenges and promising directions that require further consideration can be allocated: The development of managerial tools of the regional service markets; mechanisms of creation and realization of innovative projects on development of service spheres; features of the formation of sector, regional and national services markets; forms of state support of domestic producers in the service sector.

The effectiveness of market regulators of innovative development of service spheres will increase in case of the development of network of enterprises and institutions of different organizational-legal forms and forms of ownership; improvement of the efficiency of state property management, including the consistent reduction in the use of the Institute of economic management.

REFERENCES


