

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

UDC 338.242.4

THE ROLE OF SMALL BUSINESS IN THE ECONOMY OF UKRAINE

РОЛЬ МАЛОГО БІЗНЕСУ В ЕКОНОМІЦІ УКРАЇНИ

Bila Irina

Ph.D. in Economic Sciences, Associate Professor,
Department of Education Economics
National Pedagogical Dragomanov University

Klemenchuk Anastasiia

Master degree, Program Subject Area "Economics",
National Pedagogical Dragomanov University

The functions and the state of development of small business in Ukraine are researched in this article. The authors note that small business in the market economy forms a competitive environment; promptly reacting to changes in the market situation, gives the necessary flexibility to the market economy; contributes to accelerating the implementation of the latest technical and commercial ideas and the release of science-intensive products; makes a significant contribution to solving the employment problem; softens the social tension and promotes the democratization of market relations because the small business is the fundamental basis of the middle-class formation. The authors believe that the development of small business in Ukraine hasn't achieved the expected result because practically all indicators of its quantitative and qualitative development are characterized by declining or contradictory tendencies. This state of affairs updates the balanced, systematic, and long-term activity for the comprehensive support of small business.

Key words: business sector, enterprise, business, small business, state.

Розвиток усіх форм бізнесу створює передумови для прискорення економічного зростання, сприяє насиченню ринків товарами і послугами, дозволяючи боротися з негативними сторонами ринкової економіки. Зрозуміло, що у бізнесі прихований величезний потенціал для інтенсивного розвитку економіки і суспільства в цілому. В даній статті досліджено функції та стан розвитку малого бізнесу в Україні, що дасть можливість виявити резерви підвищення ефективності його функціонування для вирішення проблем соціально-економічного розвитку. Автори зазначають, що малий бізнес у ринковій економіці формує конкурентне середовище; оперативно реагуючи на зміни кон'юнктури ринку, надає ринковій економіці необхідної гнучкості; здійснює внесок у прискорення реалізації новітніх технічних і комерційних ідей та випуск наукоємної продукції; робить вагомий внесок у вирішення проблеми зайнятості; пом'якшує соціальну напругу і сприяє демократизації ринкових відносин, бо саме він є фундаментальною основою формування середнього класу. Автори впевнені, що розвиток малого бізнесу в Україні не досяг очікуваного результату, оскільки практично всі показники його кількісного та якісного розвитку характеризуються спадними або ж суперечливими тенденціями. Так, кількість малих підприємств скоротилася протягом 2010-2017 рр. на 9,6%, кількість суб'єктів господарювання на 10 тис. осіб наявного населення скоротилася на 2,6%, кількість зайнятих працівників зменшилась на 23,4%. Зростання обсягу реалізованої продукції (товарів, послуг) протягом 2010-2017 рр. у 2,6 разів частково віддзеркалює інфляційні процеси та реально не пов'язано із позитивними тенденціями розвитку малого бізнесу. Не дивлячись на зростання частки малих підприємств, які одержали прибуток зросла протягом 2010-2017 рр. на 14,1 в.п., розмір збитків малих підприємств значно зріс – майже у 3 рази. Такий стан речей актуалізує виважену, системну та довгострокову діяльність держави в напрямку всебічної підтримки малого бізнесу. Останнє стосується вирішення проблем в сфері нормативно-правового та адміністративного регулювання, фінансування та кредитування діяльності суб'єктів малого бізнесу, формування загального сприятливого бізнес-клімату для залучення інвестицій та реалізацію інноваційних проектів.

Ключові слова: підприємницький сектор, підприємство, бізнес, малий бізнес, держава.

В данной статье исследованы функции и состояние развития малого бизнеса в Украине. Авторы отмечают, что малый бизнес в рыночной экономике формирует конкурентную среду; оперативно реагируя на изменения конъюнктуры рынка, придает рыночной экономике необходимую гибкость;

вносит вклад в ускорение реализации новейших технических и коммерческих идей и выпуск наукоемкой продукции; вносит весомый вклад в решение проблемы занятости; смягчает социальное напряжение и способствует демократизации рыночных отношений, поскольку именно он является фундаментальной основой формирования среднего класса. Авторы уверены, что функционирование малого бизнеса в Украине не достигло ожидаемого результата, поскольку практически все показатели его количественного и качественного развития характеризуются нисходящими или противоречивыми тенденциями. Такое положение вещей актуализирует взвешенную, системную и долгосрочную деятельность государства в направлении всесторонней поддержки малого бизнеса.

Ключевые слова: предпринимательский сектор, предприятие, бизнес, малый бизнес, государство.

The problem statement. The development of small business is a prerequisite for the successful development of a market economy, an effective reorganization of production and enterprises, solving employment problems, and raising the standard of living among the population. Small business is the basic formation of the middle-class formation, that is, the creation of a solid foundation of a democratic society, which has the lowest investment needs, and it is characterized with the fastest capital turnover.

Analysis of recent research and publications. Theoretical and applied issues devoted to the problems of small business have been reflected in the studies of many domestic scientists – Z. Varnalii, L. Vorotina, V. Heiets, T. Govorushko, A. Goshka, L. Dmitrichenko, Y. Zhalilo, I. Kopchenko, V. Kredisov, A. Kuzhel, I. Kuznetsova, A. Lastovtckiy, S. Safronov, V. Syzonenko, S. Reverchuk, V. Uzunov, and others. These scholars have developed a number of problematic aspects of entrepreneurship establishment and development, including small ones, proposed certain levers of the mechanism of business support in the transformations period, etc. At the same time, despite a large number of published works and their scientific value, many aspects of the problem require further research. It is advisable to assert an understanding of the role of small business in the Ukrainian economy.

Setting objectives. The purpose of this article is to investigate the role of small business in the domestic economy. It'll make it possible to identify the reserves for improving the efficiency of its functioning in solving the problems of socio-economic development.

Presentation of the main research material. The development of all forms of business creates the prerequisites for accelerating economic growth, contributes to the saturation of markets with goods and services, allowing them to deal with the negative aspects of the market economy. It is clear that huge potential for intensive development of the economy and society as a whole is hidden in business. A specific feature of the business is the high profitability of using all kinds of resources and the constant desire to minimize losses, ensuring their most rational proportions for these conditions.

Considering the functions of small business in a market economy, the following should be emphasized:

– Firstly, the contribution of small business to the formation of the competitive environment is invaluable. The civilized competitive environment is characterized by the dynamic activity of participants in market relations, economic responsibility, and the risk of an entrepreneur, which transforms it into a peculiar social engine of economic development. Small business, being antitrust, helps to establish a competitive relationship. And under the conditions of narrow specialization and using modern technology, it acts as an effective competitor, which undermines the monopoly position of large corporations;

– Secondly, small business, responding promptly to changing market conditions, provides the market economy with the necessary flexibility. This feature has gained a special significance in modern conditions as a result of rapid individualization and differentiation of consumer demand, acceleration of scientific and technological progress, the growth of the nomenclature of industrial goods and services;

– Thirdly, the contribution of small businesses to accelerating the implementation of the latest technical and commercial ideas, the production of science-intensive products, is enormous. Despite the fact that big business is a sphere of realization of scientific and technological progress, small business acts as a concentrator of new ideas;

– Fourthly, a small business makes a significant contribution to solving the employment problem. It is common knowledge that the advantages of small enterprises are related to its significant attracting abilities of the majority of the able-bodied population into the production process. It is clear that the number of employees in the small enterprise is much lesser, compared to a large enterprise. However, the number of small enterprises, which is determined by their distribution, is objectively larger, compared with large enterprises, for which the positive effect of the scale of production is achieved in the case of the existence of several enterprises in a certain sector or field of activity;

– Fifthly, the important function of small business is to alleviate social tensions and democratize the market relations, because small business is the fundamental basis for the formation of the middle class. Small business, as the base of the existence of the middle class, is a factor in the innovation process in society, focusing on a lion's share of the qualification, intellectual, cultural, and

artistic potential of society, and the mentality of its representatives ensures socio-political stability in society, the activities and development of democratic institutions, innovation renewal economy.

The role of small business in the transformation economy is determined by the fact that it is a special sector of the economy that forms the basis of small-scale production, promotes cost recovery and broad freedom of market choice, determines the pace of economic development, structure and qualitative characteristics of GDP (gross domestic product), provides saturation of goods, services, and additional workers places [1, p. 18]. In Ukraine, after the proclamation of the right to private property and the principle of its equality with other forms of ownership, rather rapid growth of entrepreneurial initiative has begun, due to the structural restructuring of the economy, significant labour force releases and the growth of incentives for self-employment. Moreover, the development of entrepreneurship in Ukraine has begun with the rapid growth of the number of small businesses. Thus, according to the State Statistics Service of Ukraine, during 1991–1997, the development of small businesses was characterized by a steady tendency to increase the number of small enterprises. During this period, their number has increased by 289.3%. Taxes for newly created small businesses were contributed to this.

However, already in 1993, negative tendencies in the process of formation and development of small enterprises gradually began to appear, which illustrates such indicator as the number of people employed in this sector. Thus, this indicator has decreased from 1232.0 thousand people in 1993 to 1104.0 thousand people in 1994, so by 10.3%. The most significant decrease in the growth rate of the employed compared with the growth rates of the number of economic entities, occurred in 1994, respectively 89.6% vs. 101.2%. This shows that already in 1993–1994, small enterprises showed an interest in expanding their activities, especially in the field of material production [2].

Official statistics in these years, despite their incompleteness, imperfections, the variability of calculation methodologies and, therefore, lack of comparability, also make it possible to trace certain trends regarding changes in the sectoral structure of the small business. In virtually all sectors of the national economy, there was a slight fluctuation of the share of the small business. Thus, the most attractive for small enterprises both in 1994 and in 1997 remained trade and catering sectors – 40.1% and 51.4% respectively. In the industry during 1994–1997, although there was a tendency to increase the number of small enterprises by 1.3 times, however, the share of small industrial enterprises in the total number of small enterprises decreased from 16.9% to 14.0%, respectively. Even worse dynamics existed in construction – the share of small enterprises during this period steadily decreased from 16.2% to 10.4%. In addition,

on average, one small enterprise employed in 1994 – 13 people, in 1995 – 13, in 1996 – 12, and in 1997 – 10 people. However, the share of workers in trade and public catering increased more than twice in 1994–1997 – from 257,2 thousand people to 537,2 thousand people, respectively. These processes were accompanied by a decrease in the share of workers employed in the industrial sector, for example in industry and construction at 4.3 and 10.0 percentage points, respectively [2].

It should be noted that during this period, the specificity of Ukrainian economic development was the declarative orientation of the state's policy on the predominantly small and medium-sized business development. At the same time, the rapid development of such enterprises took place not at the expense of measures carried out by the state, but rather through the existing opportunity to operate in an unregulated environment. It caused due to the fact that during the first half of the 90s, the state's activities on legislative provision and stimulation of entrepreneurship development did not differ in strategic direction and were not effective. Despite the first not always well-considered and consistent steps towards the formation of a coherent policy for supporting small businesses, specific state measures of a stimulating nature remained relevant. The whole spectrum of financial services, information and advisory forms of support that should be received by small business entities remained limited and inaccessible to them.

In general, the most important measures declared to promote the development of small businesses were of a formal nature, had no exhausted mechanism for their implementation and, most importantly, financial support. As the well-known researcher of problems of small business Z. Varnalii emphasizes, the normative and legal basis for its development was ambiguous, contradictory in the presence of virtually non-functional acts. The last was embodied in the lack of a unified legislative strategy for its development [3, p. 132] created even more barriers to entrepreneurial activity and negatively affected the quality and sustainability of public policy in business support.

Administrative hindrances during the registration of business entities during the specified period also appeared to be significant barriers for starting a business and developing an entrepreneurial initiative. Despite the fact that the authorities developed the procedure for state registration of business entities, namely, a set of documents required for registration was determined, and the form of the certificate of registration was approved. However, the lack of a unified state registration procedure (until 1994), a large number of registration authorities, the differentiation of regulations on registration in various regulations, a cumbersome and long-term system of creation and liquidation, increased administrative pressure on business entities. Problems in the field of licensing remained unresolved during this period. So, if in 1991, licens-

ing was subject to 11 types of entrepreneurial activities, then by the end of 1996 – almost all of its types. A large number of licensing documents (permit, special permit, right, license, certificate, etc.) and legislative acts regulating this sphere did not contribute to the transparent and effective interaction between the state and the business sector.

Moreover, around 1997–1998, quite contradictory changes began to emerge in the country. Thus, in parallel with the declared measures of support and stimulation of small business development by the state, there was a significant slowdown of growth both in the number of small enterprises and in the average number of employees working on them. The reasons for the real deterioration of positive trends in the development of small enterprises can be considered the limited financial and credit resources, both for the population for their organization, and for the state to support small business; undeveloped infrastructure; the gap between production and economic ties in the country, and so on. It is clear that such reasons were not new, but it was in the late 90s, with the gradual, albeit compelled, the formation of legal market institutions, they maximally accumulated their negative potential, which began to significantly impede the development of small business.

At the exact time, there was a declaration of the strengthening of the state economy's regulation, including business. The state administration apparatus gradually acquired more and more compelling, administrative properties, which did not contribute to the development of the business sector but led to a further increase in the level of the shadow economy and social tension in society.

Since 2005, small business development has been characterized by both positive and negative trends. During 2005–2009, the number of small enterprises grew significantly in the amount of 10 thousand people in the existing population – from 63 to 75 people, the share of small enterprises in the total volume of sold products, works and services increased from 5.5% to 16.6%, in three times. However, these changes, in our opinion, were little associated with the qualitative acceleration of the

development of small business, but mainly due to changes in the methodology of assigning enterprises to small in the legislation. If the legislative changes are not taken into account, the indicator in 2006 would be – 4.8%, and in 2007 – 4.4% [2]. At the same time, the development of this sector of the economy had continued to be characterized by a low level of capitalization, investment, informatization, and innovative technologies that take place in the small business segment.

Inadequate qualitative characteristics of the small business activities in these years are also found in its financial and economic indicators. Thus, the share of small enterprises receiving profit from the total number of small enterprises in 2009, compared to 2006, decreased by 6.2 pp or 9.4% in the direction of increasing the share of loss-making enterprises.

Starting in 2010, the main indicators of small business development were characterized by declining tendencies (Table 1).

Thus, the number of small enterprises decreased during 2010–2017 by 34321 units, or by 9.6%, the number of business entities per 10 thousand people of the existing population decreased by 2 units, or by 2.6%, the number of employed workers decreased by 505,7 thousand people, or by 23.4%. The only exception is the amount of products sold (goods and services) – its indicator was a positive trend – during 2010–2017 grew by 913733,6 million USD or 2.6 times. The last one is partly due to inflationary processes and is not really related to the positive trends of small business development.

Financial results of small businesses also have contradictory tendencies (Table 2).

Despite the growth of the share of small enterprises that have gained profit during 2010–2017 by 14,1 pp, the size of the losses of small enterprises increased significantly – by 84754,2 million UAH or nearly three times. In addition, the negative financial result, as O. Dykan correctly says, reflects the presence of problems in this sector of the economy and the general negative tendency and economic instability in the country [5].

Table 1

Indicators of Small Business Development in Ukraine in 2010–2017 [4]

Years	Number of small enterprises, units	Number of business entities per 10 thousand people of the existing population, units	Number of employees, thousands of people	Amount of products sold (goods and services), million UAH
2010	357241	78	2164,6	568267,1
2011	354283	77	2091,5	607782,4
2012	344048	76	2051,3	672653,4
2013	373809	82	2010,7	670258,5
2014	324598	76	1686,9	705000,5
2015	327814	77	1576,4	937112,8
2016	291154	68	1591,7	1177385,2
2017	322920	76	1658,9	1482000,7

Financial results of small businesses for 2010–2017 in Ukraine [4]

Years	Financial results before taxation, million UAH	Enterprises, gained profit		Enterprises, gained loss	
		% of the total number of enterprises	Financial result, million UAH	% of the total number of enterprises	Financial result, million UAH
2010	-15647,1	58,6	27770,0	41,4	43417,1
2011	-5057,3	65,0	36975,6	35,0	42032,9
2012	-9254,0	64,4	39794,1	35,6	49048,1
2013	-25057,9	66,0	39640,9	34,0	64698,8
2014	-175262,4	66,5	49156,1	33,5	224418,5
2015	-111906,0	73,9	95483,0	26,1	207389,0
2016	-24151,4	73,3	107312,5	26,7	131463,9
2017	-10724,8	72,7	117446,5	27,3	128171,3

Conclusions from the conducted research.

As we see, small business has a significant positive potential for addressing socio-economic development. To summarize, the development of small business in Ukraine has not achieved the expected result. Almost all indicators of its quantitative and qualitative development are characterized by declining or contradictory tendencies. This state of affairs updates the bal-

anced, systematic, and long-term activity of the state in the direction of comprehensive support of small business. The last one concerns the solution of problems in the field of regulatory and administrative regulation, financing and lending to small business entities, the formation of a generally favourable business climate for investment attraction and the implementation of innovative projects.

REFERENCES:

1. Жаліло Я. А. Економічна стратегія держави: теорія, методологія, практика: Монографія. Видавець: Київ: НІСД, 2003. 368 с.
2. Біла І., Н. Насікан. Держава і підприємницький сектор в Україні: генезис і особливості формування взаємовідносин. *Соціально-економічні проблеми і держава*. 2012. Вип. 2 (7). С. 16-27.
3. Варналій З. С. Мале підприємництво: основи теорії і практики. К.: Т-во «Знання», КОО, 2001. 277 с.
4. Державна служба статистики України. URL: www.ukrstat.gov.ua (дата звернення: 07.03.2019).
5. Дикань О. В. Розвиток малого бізнесу в Україні: проблеми та шляхи забезпечення. *Вісник економіки транспорту і промисловості*. 2017. Вип. 57. С. 58-66.