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THE PROBLEMS OF SMALL BUSINESS IN UKRAINE UNDER THE APPLICABLE RULES OF PUBLIC ADMINISTRATION

The paper formulates the basic theoretical and practical aspects of modern functioning of small businesses. The systematization of scientific definitions of "small business" is defined and on this ground the difference between this economic category and another category of "small business" has been determined. According to coverage features of the role of small business in state economic development the author's definition of "small business" has been given. Based on the prediction of the individual indicators dynamics of the results of small business operation, current areas of small business performance and the state apparatus of Ukraine have been analyzed and evaluated. On this basis the problems of small businesses have been identified and the concept of the Institute of Public Administration of small business in Ukraine has been proposed.

Key words: small business of state governance, economy, reform concept.

Ukraine has been under the state reforms for last ten years. Almost each direction and functioning of the public sector have been involved in them. Only in the second decade of the XXI century the state regulatory policy in small business has undergone three changes. That is, every two years, the state changes the rules of business and financial conduct of businesses in Ukraine. It is quite rapid and leads to the rejection of the declared business of the state apparatus reforms. The complications in perception, administration, maintenance and operation of the business affect the results of its work. Within the self-sufficient financial system the disorganized work of small business effects the funding of public finance. The state Department of Economy supplements market mechanisms as instruments of regulation. Therefore there is a range of conventional interdependence and complementarities in the operation of the two parties: the small business and the state apparatus. This is the main current problem, which ought to be paid attention to by the state apparatus.

The aim of the article is to identify the depth of the crisis of the effective functioning of small business in Ukraine in the current standards of public administration.

The national economy is a large and complex economic system, which includes a set of interacting subjective and objective components. The subjective component includes the state law and individuals. Small business through its existence creates real and financial foundations for the development of middle class in the country. The objective components are social and economic relations that arise in the process of interaction of the economic entities. The effectiveness of the functioning of the national economy depends on the citizens' self-awareness and their ability to fulfill financial and economic activity transparently and effectively. The main tasks of the state apparatus functions include coordination, monitoring, regulation and control over the full and multidirectional development of the economy. Owing to a number of reasons all components of the national economy are not developing in accordance with each other. Therefore, the apparatus of government is to regulate the relative but effective proportionate development of all areas, units, segments and sectors of the economy. The entities include state regulation of private bodies (citizen groups, associations, etc.), the state and its institutional bodies as well as supra-state and inter-state governing bodies.

As the basis of government of national economies there are different economic theories: mercantilism (XV-XVII centuries), School of Physiocrats (XVIII century), classical theory of regulation (self-regulation) (the second half of XVIII – early XIX centuries), Marxism (XIX century), Keynesianism (30th years of XX century), neoclassical theory, neoliberal, neoconservative direction (monetarism, rational expectations theory, the theory of "economic proposals", etc.) (XX century), the theory of rational expectations (XX century), "Neoclassical synthesis" (XX century), social and institutional direction (XX century), postindustrial theory (XXI century) etc.

These economic theories made a contribution to the development of small business institute. Currently the contemporary interpretation of a small business is as follows.

Scientific approaches to interpretation of the term "small business" and "small entrepreneurship" in Ukraine

Term	Author	Interpretation
1	2	3
Small business	S.Reverchuk ¹	a system of contradictions that ensure its development
	Z.Varnaliy ²	an activity of any small businesses and individuals (physical parties) aiming at profit gain
	T. Hovorushko and O.Timchenko ³	the foundation of small businesses that comprises small companies which have the characteristics such as small number of staff and small production
	V.Herasymchuk, O.Miroshnychenko V. Onikiyenko ⁴	it can be any public mutually beneficial activity between physical parties or entities that aim to profit through the production and sale of goods or services which are carried out on the basis of legislation and regulate the order of their establishment, functioning, staff development and entrepreneurship
	S.Azizov and P.Kaninsky ⁵	a collection of small and medium enterprises that are not directly included in any monopoly union and perform a subordinate in regards to the monopolies role in the economy.
Small entrepreneurship	Z.Varnaliy ⁶	is an independent (at the expense of own funds) systematic innovation activity of citizens - entrepreneurs and small businesses functioning at their own risk in order to obtain business income (excess profits)
	V. Kredisov	includes not only relatively small size of the company and the extent of economic activity, but its obligatory ground to particularly risky and innovative performance based on full economic responsibility for personalized and flexible methods of management and organization fulfillment in order to obtain maximum business profit per unit of asset spent
	O.Dovhalova and O. Balabenko ⁷	a special form of economic activity that provides orientation to achieve commercial success; innovative and risky nature of business; promising direction for further development and expansion of business scope; providing freedom and independence in decision-making and implementation of the business; entrepreneur financial responsibility for the results of management; permanent economic activity and conclusion of regular, not one-off transactions.
	T. Hovorushko and O. Timchenko ⁸	a special system of economic relations in which the main driving force and business entity is an entrepreneur, who combines personal and material factors implementing the innovation-based economic initiative and personal responsibility and commitment, risk in order to obtain business income
	T. Hovorushko ⁹	is an independent functioning at its own risk, under its own financial responsibility, initiative of activities holder, characterized by the desire for innovation, small volumes of production, based on the use of economic resources and is aimed at getting the financial and economic and social results.
	L.Vorotin, V.Vorotin, L.Martyniuk, T.Chernyak ¹⁰	entrepreneurship is considered as not any activity by the manufacturer, banker, employee, in sales business, services and activities but only the activity of the owner who independently or with the assistance of hired labor starts and carries out production, trade, etc.
	V. Zbarsky ¹¹	extremely versatile and integrated sphere of human activity, which also deals with various forms of art, science, sport, game, sometimes with the art of military strategy.

¹ Реверчук, С.К. (1996). *Малий бізнес: методологія, теорія і практика*. Львів: Львівський державний ун-т ім. І. Франка.

² Варналій, З.С. (2001). *Мале підприємництво: основи теорії і практики*. Київ: Знання.

³ Говорущко, Т.А. (2006). *Малий бізнес*. Київ: Центр навчальної літератури.

⁴ Герасимчук, В.І., Мірошніченко, О.В., Онікієнко, В.В. (2002). *Малий та середній бізнес як сфера зайнятості: методологія, аналіз проблеми розвитку*. Київ: Український інститут соціальних досліджень.

⁵ Азізов, С.П., Канінський, П.К., Скупий, В.М. (2001). *Організація виробництва і аграрного бізнесу в сільськогосподарських підприємствах*. Київ: ІАЕ УААН.

⁶ Варналій, З.С. (2001). *Мале підприємництво: основи теорії і практики*. Київ: Знання.

⁷ Довгальова, О.В. (2011). *Управління малим бізнесом*. Донецьк: Цифрова типографія.

⁸ Говорущко, Т.А. (2006). *Малий бізнес*. Київ: Центр навчальної літератури.

⁹ Говорущко, Т.А. (2008). *Ефективність розвитку малого підприємництва харчовій промисловості в Україні*: автореф. дис... д-ра екон. наук. Київ: Нац. ун-т харч. технологій. <<http://www.nbu.gov.ua/ard/2008/08gtahpu.zip>>

¹⁰ Воротіна, Л.І., Воротін, В.Є., Мартинюк, Л.А., Черняк, Т.В. (2002). *Малий бізнес та підприємництво в ринкових умовах господарювання*. Київ: Видавництво Європейського університету.

¹¹ Збарський, В.К. (2005). *Методологічні підходи щодо понятійного апарату «малі форми господарювання»*. *Агро інком*, 3-4, 61-66.

The very theory of state government determines the need for intervention in the national economy in order to¹:

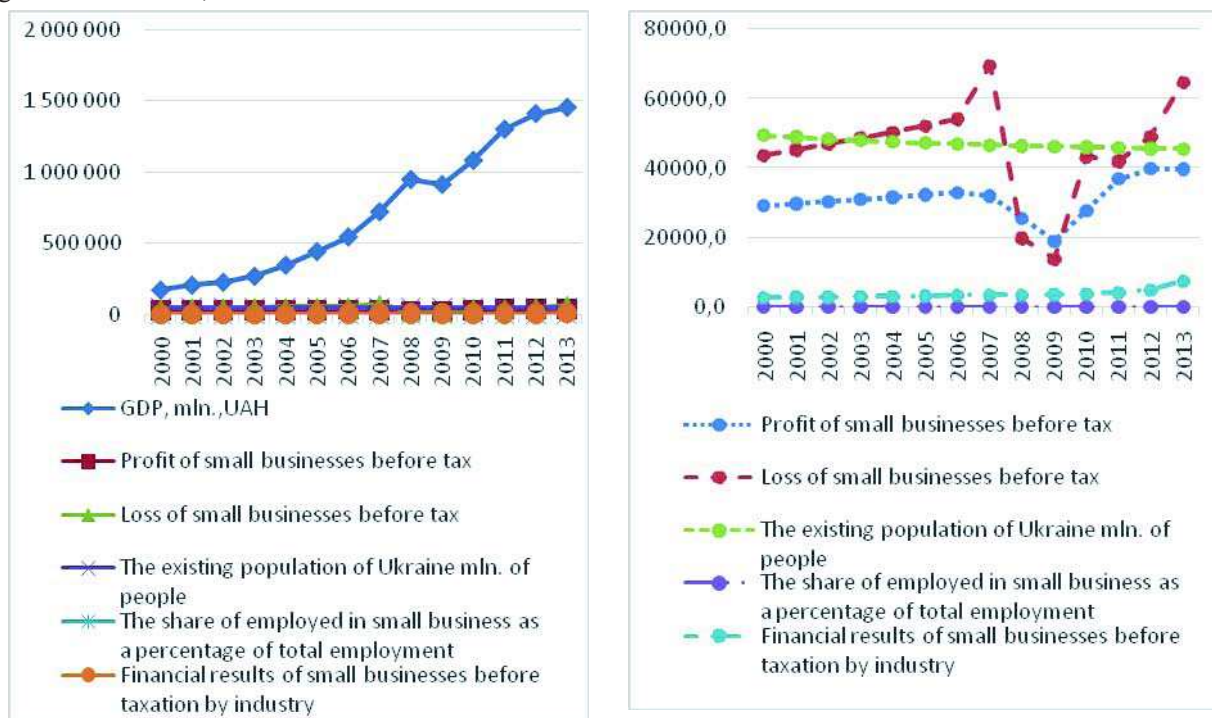
- create the conditions for the efficient functioning of the market mechanism;
- eliminate the negative effects of market processes;
- protect the national interests on the world market;
- solve the problems that the market mechanism cannot solve or resolve itself effectively.

Due to the fact that the specific object of government of national economy includes the economic cycle, economic structure, terms of accumulation and investment activities, scientific and technological progress and innovation processes, the circulation of money and inflation, price, balance of payments, block of social issues (employment and incomes, training and retraining, social security, etc.), competition, the environment (environmental issues), regions, in the framework of this paper each component is defined in the form of the following indicators of small business in Ukraine:

- GDP;
- profit before taxation of small businesses, mln., UAH;
- loss before taxation of small businesses, mln., UAH;
- current population of Ukraine, million, person;
- the share of employed in small business to the total number of employees by country,%;
- income before taxes of small businesses by industry, mln., UAH.

The dynamics of performance indicators by years is shown in Fig.1.

The dynamics of these indicators proves the reduction of the share of the financial and economic involvement in the development of the national economy, on the one hand, and low efficiency of government tools, on the other.



a) b)
Fig.1. The dynamics of indicators of small business in Ukraine
 a) GDP; b) without GDP²

The most important is the third aspect of this trend which is related to the fact that every year the desire of small businesses to reflect actual results of its operations and innovation in own performance and technology decreases. Against this background, when a small business forms the basis to enhance monetary flow involving the individuals, the business endeavors of entrepreneurial people are reduced. The main

¹ Дідьківська, Л.І., Головка, Л.С. (2000). *Державне регулювання економіки*. Київ: Знання-Прес.

² Офіційний сайт Державної служби статистики України. <<http://www.ukrstat.gov.ua>>

factors that led to such business tendencies are:

- protracted crisis that began as financial and economic (in 2008-2010 years) and gained political and public features (in 2013-2014 years);
- changes in social structure - business focuses from retail to Internet commerce which is more widespread;
- focus on the economy that is more stable from the legislative point of view.

If a small business of developed economies provides formation of 40-70% of GDP, then before the crisis in Ukraine this figure was 6.8% and in 2011 - 15%. However, a positive trend over the years has not been continued. In this context it is a significant that the importance and impact of causal relationships that are associated with the process of formation of financial results of small business in Ukraine and their dynamics in the short term (Fig. 2-4).

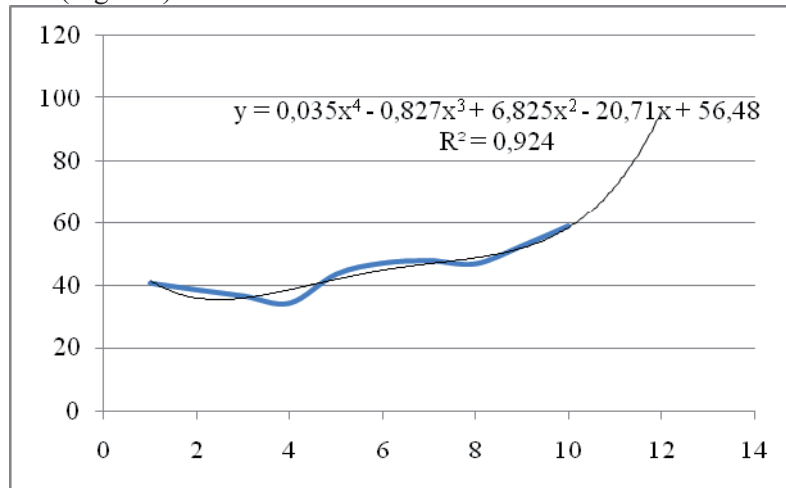


Fig. 2. The share of employed in the small business as a percentage of total employment%¹

From the figure it can be clearly seen that the current dynamics of employed people will continue to grow. On the one hand, the argument is quite promising for the further operation of small businesses. On the other hand, the growth of self-employment is the result of no alternative to the state economy. Entrepreneurship Theory proves the fact that not all people have psychological and behavioral skills and the capacity for entrepreneurship. In particular, this thesis is relevant to national small business share of innovation which is too low for the effective competition even on the domestic market.

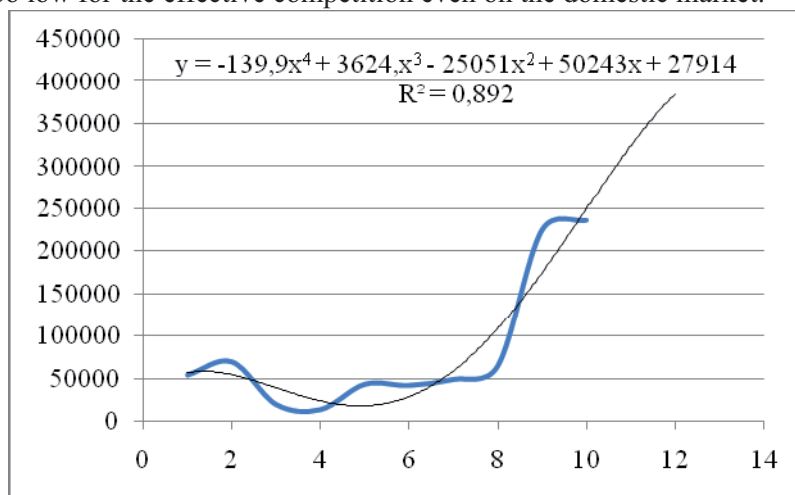


Fig. 3. Loss before tax of small business, mln., UAH²

The thesis has been stated before regarding the lack of interconnections between the number of employees in small business and financial results of their operations that are supposititious. The growth of

¹ Офіційний сайт Державної служби статистики України. <<http://www.ukrstat.gov.ua>>

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unprofitable small business is quite realistic.

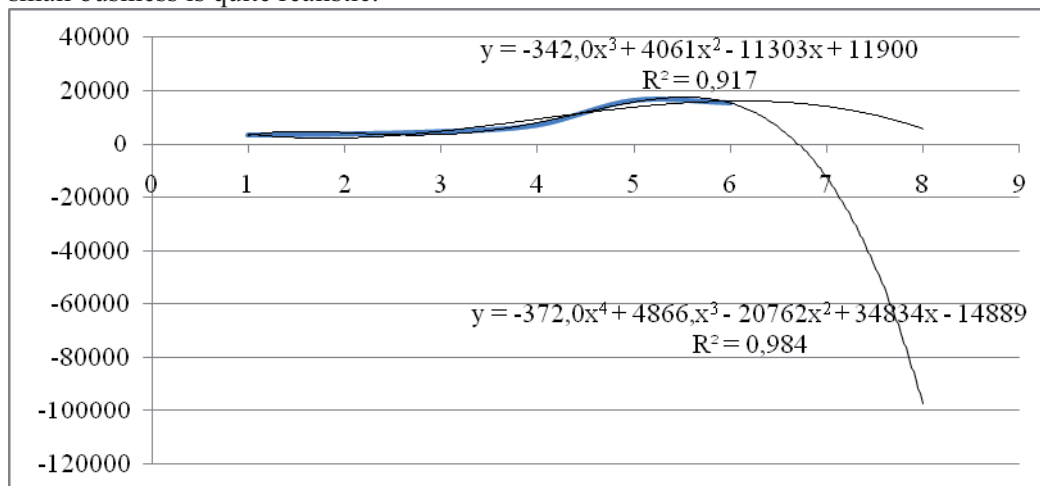


Fig. 4. The financial results of small businesses by industry before taxation, mln., UAH¹.

This dynamics (Fig.4) is more logical than the previous one. The reduction of the financial results before taxes leads to losses of small businesses. According to the identified and formulated trends of the financial results of operation of small businesses it is advisable to determine their causes, the problem of which lies in the relationship "small business unit of government" (Table.2). Some explanations are rather controversial. On the one hand, the small business is the engine of the national economy; on the contrary, at the same time it expresses low interest in the real reflection of the results of its operation in the reporting documents and is inert in its own evolution. Another example of inconsistency is that small business expects the state stimulation, but tends to maximize the integration into the economies of other countries, freedom of social and economic activities, and any change in the system of state regulation is perceived as another step towards a stiffening of redistribution system of the formed capital.

Table 2

The analysis and evaluation of interacted areas of small business and public administration system in Ukraine in 2016 (systematization of expert opinions)

Interacting Categories	The criteria for evaluating the significance of interacted directions				
	Efficiency	Effectiveness	Appropriateness	Administrative feasibility	Political feasibility
I. The most relevant areas of support that small businesses expect from the state apparatus					
1. Incentive tax, leasing, investment and other conditions	1	1	1	1	1
2. Clarity of the financial assistance schemes	2	1	1	3	1
3. An objective selection of projects for investment	2	1	2	2	-
4. Legal stability	1	1	1	2	2
5. Organizational assistance in product marketing	1	1	1	1	-
6. Liquidation of corrupt schemes	2	2	2	2	2
II. The most acute problems of small business regulation allocated by the administrative structures					
1. Expansion of tax base	1	-	1	2	2
2. Employment assurance	2	3	3	2	3
3. Supply the unfair reporting to the consumer market of goods	3	3	2	1	-
4. Liquidation of unconscientious reporting	2	1	1	2	1
5. Termination of fictitious companies	2	1	2	2	3
6. Organization of competitive environment	1	2	3	1	2
7. Development of production based on its own sources	2	2	3	1	-

Note: high value - 3; middle value - 2; low value - 1.

¹ Офіційний сайт Державної служби статистики України. <<http://www.ukrstat.gov.ua>>

The Table 3 explains the essence of the resonance of two formational management systems - market mechanism and governance.

Table 3

Psychological and economic portrait of small business in Ukraine in XXI century

The market mechanism	Public administration
1	2
Formal possibility of small business	
Exist	Not obligatory
The origins of public formation (reasons for provisional classification - "formal opportunity ...")	
The economic basis - the productive forces and production relations, taking into account the mentality and culture of business representatives who identify themselves as a part of a particular nation	Add-economic basis - state, church, law, public opinion (which is formed artificially by administrative staff), and other add-relations
Psychological origins of the small businesses' existence	
Compliance with the requirements of the market in a competitive environment under unique product	Compliance with legislated rules of functioning within the community (with reference to the territory of the country, region, districts, etc.), accompanied by a definition of stakeholders and actors of the market (subjective approach of regulators to market participants)
The main objectives for the operation of small businesses	
Systematic provision with the financial inflows that increase in money supply as a result of campaign through the monitoring of consumer demand in the market, logistics and labor optimization possibilities of innovation in own business	Ensuring democratic conditions and forms of coexistence of different groups, sectors of society; economic development; partial solution of social problems - employment, socialization of individuals in society, getting money for working time or work done by the owners and employees; ensuring consumer goods demand
The issue: two goals are quite different, not complementary to each other	
Financial support	
Commercial and bank credits and loans, leasing and rental operations, the various forms of debt relations, volunteer support, sponsorship and voluntary financial support, international grants and funding programs within an open economy, the work of ombudsmen business and financial ombudsmen	Because of the existence of the State Regulatory Service of Ukraine, Ukrainian Fund for Entrepreneurship Support (state institution) and its regional offices, the Ukrainian State Fund for farmers in terms of budget deficit
Result from financial support	
The increase in business, providing funds for business operations, financial strengthening of business owners	It is not transparent and has no permanent reporting framework for the implementation of public financial control
The social significance	
The basis for the existence of the middle class in the country, to create surplus funds that are investment resources, the formation of the basis of new socially-oriented long-term objectives, the development of cultural heritage, etc.	The implementation of state functions of Social Responsibility (prescribed by the Constitution of Ukraine) by small business
The economic significance	
Extensive and intensive economic development, growth of the rate of added products formation, increase in the quality of life, self-social package, which leads to an upward trend in the market of paid services, which affects the growth of their quality	Non-high proportion of GDP formation, the revenue side of the budget filling; increase of the monitoring and control functions in order to fulfill the plans proved to mobilize funds, etc. (in other words "measures that do not justify the means")

Based on the above-indicated statements it ought to be determined that there are approaches to the explanation of small businesses that are obsolete in modern conditions of economic and administrative activity. In our opinion, a small business has to be understood as any business activity aimed at social and economic development of people (community, country), increasing social responsibility of business culture

by systematical provision of campaign of growing financial inflows, which forms the material foundation of the of the state existence.

The penultimate position of the above definition of copyright is not absolute in any given time. It is known that all economic processes in society are cyclical in nature, but the trajectory of growth must be sustainable without increasing supply-side shock. The latter position involves the enabling of government apparatus the incentive functions under equal conditions of all members of business and management processes in society without isolation of stakeholders and actors.

There is of course a logical question: "How does the state apparatus continue to perform the superstructure function, but more efficiently and effectively?" For this purpose, again, the attention has to be paid to small businesses operating in the country. Business trends in all respects "went forward" and ahead of government regulations, including incentives and regulation. In our opinion, this approach to the problem can reconcile different objectives while being small businesses in the national economy. Therefore, it is appropriate to develop the concept of the Institute of Public Administration of small business of Ukraine within which the polar positions are taken by a small business, but within the concept - by the local entity. Under the new local entities the valid format associations, which are not legally registered but operate for profit (the first stage of the business) are recognized (Fig. 5).

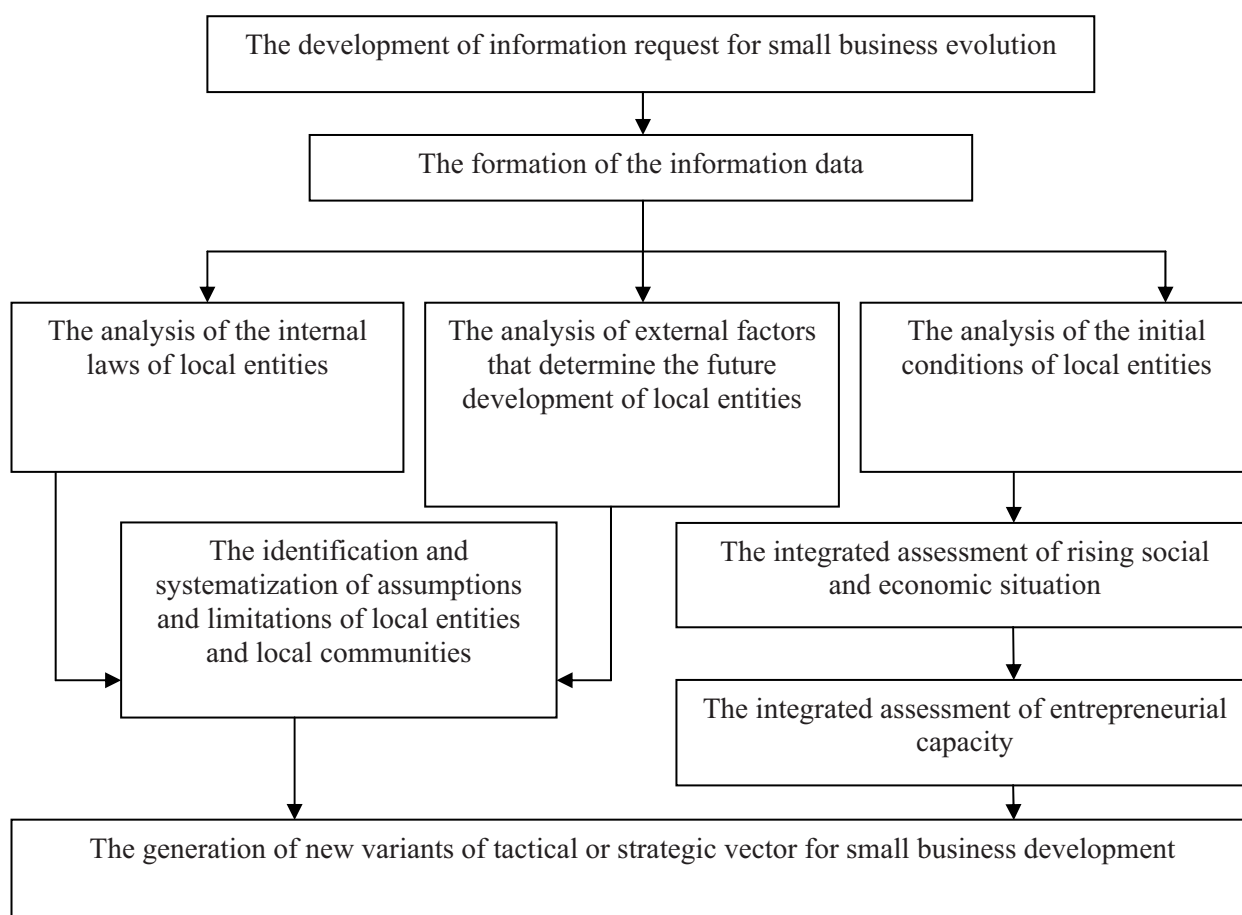


Fig. 5. The concept of the Institute of Public Administration of small business in Ukraine

Accordingly, the social and economic evolution of small business has historically held the following steps:

- 1st: the operation for profit;
- 2nd: extensive social and economic development;
- 3rd: intensive social and economic development (including the introduction of new technologies in business, etc.);
- 4th: socially responsible business with high business etiquette.

The contemporary forms of small businesses, which are the primary form of "local entities", experience and go through those stages faster. However, domestic small business cannot yet move to the

fourth stage of development, but there are individual cases that have an intension. This is confirmed by the revolutions in 2004 and 2013. However, without the systemic nature of these aspirations those intensions cannot become widespread. Besides, the big business does not give a proper example.

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