FINANCIAL AND ADMINISTRATIVE ASPECTS OF SMALL BUSINESS DEVELOPMENT IN UKRAINE

Abstract. The article substantiates key financial and administrative aspects of small business development. It is noted that entrepreneurship in the field of small business is determined as the activity of business units with the inherent features that are both characteristic to entrepreneurial structures in general, and also peculiar features that determine the peculiarities of such a functioning of business units in the sphere of implementing the tasks and objectives of the business. It is highlighted that the success of a small business depends on the conditions of the environment in which entrepreneurial structures operate. It is explained that to such conditions there should be included economic, legal, socio-cultural, demographic, technological, natural-geographical and organizational ones.

The peculiarities of business development in developed countries and Ukraine are analyzed and their comparative estimation is presented. It is determined that small and medium business play a significant role in the development of economic systems of developed countries around the world. It is established that the share of small and medium business in the GDP of many developed countries stands for more than 50%, which speaks of their significance for society as a whole.

It is proved that in order to reach the level of developed countries in Ukraine and to increase the presence and importance of small business, it is necessary to improve the mechanisms of public administration and to strengthen the financial factor of influence on the processes of business development in the country. The ways of improving financial mechanisms of small business management at the level of the state are presented. The direct and indirect means of public administration influence are characterized, on the basis of which entrepreneurs will be able to attract financial resources for their development.

It is suggested to allocate budget allocations, preferential lending and partial compensation of interest rates on loans to the direct means of public administration influence on the development...
of small business. Also, in the article there is offered to treat the development of alternative financing schemes, the activity of specialized guarantee funds, improvement of access of business to credit resources, improvement of the financial market infrastructure and training of specialists for the provision of consulting services for the participation of small business in financial market operations as the indirect means of public administration influence on the development of small business.

Keywords: small business, financial mechanisms, state, development, direct and indirect directions of state regulation.

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ФІНАНСОВО-УПРАВЛІНСЬКІ АСПЕКТИ РОЗВΙТКУ МАЛОГО ПІДПРИЄМНИЦТВА В УКРАЇНІ

Анотація. Обґрунтовано ключові фінансово-управлінські аспекти розвитку малого підприємництва. Зазначено, що підприємництвом у сфері малого бізнесу визначається діяльність суб’єктів господарювання, які притаманні як риси, які характерні для підприемницьких структур загалом, так і своєрідні риси, які визначають особливості такого функціонування суб’єктів господарювання у сфері реалізації завдань та цілей бізнесу. Означено, що успішність здійснення малого бізнесу визначають умови середовища, в якому функціонують підприємницькі структури. Роз’яснино, що до таких умов варто віднести економічні, правові, соціально-культурні, демографічні, технологічні, природно-географічні та організаційні умови.

Проаналізовано особливості розвитку підприємництва в розвинутих країнах та Україні i представлено їхню порівняльну оцінку. Визначено, що малі та середні підприємства відіграють вагому роль у розвитку економічних систем розвинути країн світу. Встановлено, що частина малих і середніх підприємств у ВВП багатьох розвинутих країн становить більше ніж 50%, що говорити про їх значення для суспільства загалом.
Доведено, що для того, аби в Україні досягти рівня розвинених країн і посилити присутність та значення малих підприємств, потрібно удосконалити механізми державного управління та підсилити фінансовий чинник впливу на процеси розвитку підприємництва в країні. Наведено шляхи удосконалення фінансових механізмів управління малим підприємництвом на рівні держави. Охарактеризовано прямі та непрямі засоби впливу державного управління, на основі яких підприємці зможуть залучати фінансові ресурси для свого розвитку.

Запропоновано до пряних засобів впливу державного управління на розвиток малого підприємництва віднести бюджетне асигнування, пільгове кредитування та часткову компенсацію відсоткових ставок за кредитами. До непрямих засобів впливу державного управління на розвиток малого підприємництва пропонуємо віднести розвиток альтернативних схем фінансування, діяльність спеціалізованих гарантійних фондів, поліпшення доступу підприємств до кредитних ресурсів, удосконалення інфраструктури фінансового ринку та підготовку фахівців для надання консалтингових послуг щодо участі малих підприємств в операціях фінансового ринку.

Ключові слова: мале підприємництво, фінансові механізми, держава, розвиток, пряме та непряме напрями державного регулювання.

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Introduction. In modern conditions, the entrepreneurial environment in the state needs new approaches and principles of public administration because of its importance for the development of the economic system. After all, the conditions in which entrepreneurs operate, in many cases, are critical and do not provide an expanded reproduction of the activity of business units. An important role in the process of entrepreneurs functioning must play financial regulation, which is ensured by the state and provides the basis for providing business units with the necessary financial resources. As far as in the state there is a significant imbalance of relationships both in the field of business and in the financial sphere, there are all grounds to confirm that there are problems in the process of financial regulation of entrepreneurial activity at the state level.

Literature review and the problem statement. The issue of small business development is always urgent in the context of the development of society. A large number of scholars such as Bohun K. [1], Vasyltsiv T., Borschchevskyi V., Fleichuk M. [2], Onyshchenko V. [3], Ostapenko N. [4], Pavliuk T. [5], Pavliuk A., Pokryshka D., Belinska Ya. [6], Riabchenko O. [7], Suprunenko S. [8], Sytnyk N. [9] and other researchers consider the peculiarities of small business development and public administration of this process. However, these issues require considerable attention and thorough scientific research because of the importance of the functioning of small business units for the economic system and constant transformational changes that take place in Ukrainian society, which stipulates the topicality of the chosen problematics and topic of the article.

The paper objective is to reason the optimal directions for improving financial mechanisms of small business development at the state level in accordance with the transformational changes that take place in the society at the present stage of its functioning.

Research results. Business in the field of small business is determined as the activity of business units with the inherent features that are characteristic to entrepreneurial structures in general (initiativity, riskiness, independence, creativity, desire for gaining profit, responsibility for performance and innovation), and also some peculiar features that determine the peculiarities of such a functioning of business units in the sphere of implementing the tasks and objectives of the business.

Small and medium-sized business is a sign of a progressive economy. Small business perform a number of economic and social functions, the most important of which are:

- solving the problem of unemployment both at the expense of self-employment of entrepreneurs, and at the expense of the increase of workplaces;
- ensuring the development of economics;
- creating a competitive environment;
- structural restructuring of the economy;
- rapid return on investments;
- production of science-intensive products [10].

The success of a small business depends on the conditions of the environment in which entrepreneurial structures operate. In Table 1 there is given the characteristics of the entrepreneurial environment conditions, which determine the effectiveness of business units.
Conditions of the entrepreneurial environment that determine the conditions for small business functioning

<table>
<thead>
<tr>
<th>№</th>
<th>Conditions of the entrepreneurial environment</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Economic conditions</td>
<td>Determine the specifics of the use of resources and business activity in the economic environment, basing on market conditions, level of economic freedom, incomes of the population, tax policy, competitive environment, etc.</td>
</tr>
<tr>
<td>2</td>
<td>Legal conditions</td>
<td>Disclose the essence of the legislation development, in particular economic, and the peculiarities of the regulatory influence of the state through the regulatory and legal framework</td>
</tr>
<tr>
<td>3</td>
<td>Socio-cultural and demographic conditions</td>
<td>Characterize the specifics of forming the needs of consumers and their demand for goods and services, as well as the formation of a certain type of economic culture in society</td>
</tr>
<tr>
<td>4</td>
<td>Technological conditions</td>
<td>Determine the type of implementing the production process at enterprises and the level of the application by them scientific achievements and innovations</td>
</tr>
<tr>
<td>5</td>
<td>Natural-geographical conditions</td>
<td>Provide an understanding of how the natural conditions and geographical features affect the level of entrepreneurial structures development</td>
</tr>
<tr>
<td>6</td>
<td>Organizational conditions</td>
<td>Characterize the system of public authorities, which regulate the activity of enterprises of small and medium-sized business and their impact on business units</td>
</tr>
</tbody>
</table>

Note: elaborated by the authors

The sphere of small business is subjected to the influence of public administration. Public administration of the sphere of small business — it is a set of tools, methods, levers and measures that are intended to ensure the effective development of small business through the effective mechanism of influence of public authorities on the activity of business units. The main reasons for the presence of a government's influence on the sphere of small business activity are:

- the existence of a monopoly environment in society and the necessity for the formation of a perfectly competitive environment in the state;
- the necessity for price regulation of those groups of goods that are produced by small business;
- the necessity for adaptation of labor markets, capitals, resources, intellectual products to the current conditions of managing entrepreneurial structures;
  - promoting a stable and harmonious development of society by ensuring the effective functioning of small business enterprises;
  - solving issues of international policy and cooperation by establishing a favorable entrepreneurial environment within the country.

Consequently, the sphere of small business, like any other social activity, is subjected to the administrative influence of the state. It is natural that business units carry out self-regulation of their activity, which is adjusted by the objective laws of the market mechanism, within which function all actors in a society. However, it is necessary to remember that both physical and legal persons cannot be outside the influence of the state, which, in turn, implies its decisive influence on the economic activity of the subjects. It regulates small business in the name of such public authorities as parliament, President, government and individual ministries, as well as relevant bodies of regional, city and district subordination.

The development of small business in many countries of the world is characterized by integrated indicators that underline the fundamental role of small business in the socio-economic and political life of each country (Table 2).

As can be seen from the data in Table 2, small and medium business play a significant role in the development of economic systems of the developed countries around the world. In particular, their number is much higher than in Ukraine, which allows us to speak about the high level of employment of the population and their production and economic activity. In addition, the share of small and medium-sized business in the GDP of many developed countries is more than 50%, which indicates their importance for society as a whole.
The state of small and medium business development in some countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Quantity SMB, thousands of persons</th>
<th>Quantity SMB per 1000 persons of population</th>
<th>Involved in SMB, mln of persons</th>
<th>Share of SMB in the general quantity of involved, %</th>
<th>Share of SMB in the GDP, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
<td>2630</td>
<td>46</td>
<td>13.6</td>
<td>49</td>
<td>50...53</td>
</tr>
<tr>
<td>Germany</td>
<td>2290</td>
<td>37</td>
<td>18.5</td>
<td>46</td>
<td>50...54</td>
</tr>
<tr>
<td>France</td>
<td>1980</td>
<td>35</td>
<td>15.2</td>
<td>54</td>
<td>55...62</td>
</tr>
<tr>
<td>Italy</td>
<td>3920</td>
<td>68</td>
<td>16.8</td>
<td>73</td>
<td>57...60</td>
</tr>
<tr>
<td>EU countries</td>
<td>15770</td>
<td>45</td>
<td>68</td>
<td>72</td>
<td>63...67</td>
</tr>
<tr>
<td>USA</td>
<td>19300</td>
<td>74,2</td>
<td>70,2</td>
<td>54</td>
<td>50...52</td>
</tr>
<tr>
<td>Japan</td>
<td>6450</td>
<td>49,6</td>
<td>39,5</td>
<td>78</td>
<td>52...55</td>
</tr>
<tr>
<td>Ukraine</td>
<td>272,7</td>
<td>5,7</td>
<td>2,05</td>
<td>7,2</td>
<td>7,7</td>
</tr>
</tbody>
</table>

Note: (Ostapenko, 2012).

In order to reach such a level in Ukraine and to increase the presence and importance of small business, it is necessary to improve the mechanisms of public administration and to strengthen the financial factor of influence on the processes of business development in the country. This can be achieved through direct and indirect means of influencing entrepreneurial activity by expanding the possibility of business units to gain access to the necessary financial resources (Fig. 1).

![Diagram](https://via.placeholder.com/150)

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**Budget subsidies and dotation**
- Budget allocations

**Budget lending**
- Preferential lending
- Partial compensation of interest rates on loans

**Government**
- Indirect means of influence on the entrepreneurial activity
- Public Administration
  - Improving the access of business units to credit resources
  - Developing alternative schemes of financing
  - Specialized guarantee funds activity
  - Improving the infrastructure of financial market
  - Training specialists for providing consulting services concerning the participation of small business in financial market operations

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Fig. 1. The Impact of Public Administration on Small Business Development (financial aspect)

Note: own generalizations
As can be seen from Fig.1, budget allocations are the main direct means of public administration impact on the activity of small business, which can improve the access of business units to financial resources. In particular, this refers to budget subsidies and dotation, budget lending and government procurement.

Budget lending is evidencing its effectiveness and efficiency. However, it is most effective if the system of repayment of credit resources exists in the state, according to which the principle of return and payment of credit funds is ensured. At the same time, the authorized public authorities should control the targeted use of credit facilities by borrowing companies, which, in their turn, should feel real and inevitable responsibility for using the state's credit resources.

The financial and managerial aspect concerning the support of the activity of small business by the state is also evident in government procurement, which should be implemented in order to support domestic producers. Entrepreneurs will have guarantees for the sales of their products and thus be able to have confidence in the financial security of their activities.

Budget subsidies and dotation should be directed towards the development of information, technical and personnel support for small business. The effectiveness of this practice is evidenced by foreign experience. After all, the state should be interested in the fact that business units that produce the necessary goods and services have the resource support necessary for their full functioning.

In general, fiscal policy as an integral part of a country's financial policy plays an important role in the country's economic processes, in accordance with which enterprises are developing, and it should be conducted according to the principles of the effectiveness of achieving social and economic development of the country. Ways of applying fiscal policy depend on the economic conditions in which the economic system of a particular country is located, and the goals set before the government, which makes appropriate decisions [9].

Favorable lending and partial compensation of interest rates on loans are also an important means of direct government influence on the development of small business. To ensure maximum effect it is necessary that it would be extended to the entrepreneurial sphere of the country as a whole, and had not a very personified character. This way, it will prevent individual entrepreneurs to be abusing this area.

Entrepreneurial activity management can be carried out in two ways: directly influencing the process of managing and obtaining results from the production of goods and providing services or helping entrepreneurs through indirect influence on the subjects. The means of indirect influence on entrepreneurial activity should, first of all, include improving the access of business units to credit resources.

Taking into account the fact that the main institutions capable of providing entrepreneurs with the required amount of financial resources are banks, at the state level, it is necessary to pursue a policy of facilitating the access of business units to bank loans. This is especially true for the small business sector, since banks are reluctant to give microcredits to this category of enterprises.

The state can become a guarantor for banking institutions that enterprises will repay their borrowed funds. Thus, it will simplify the mechanism of obtaining credit resources by small business, as well as increase the level of trust of banks to them. Such processes will facilitate the activation of entrepreneurial activity in the sphere of small business and reduce the number of bankruptcies among business units. Therefore, the state guarantee can become one of the dominant means of managing entrepreneurial activity in the sphere of small business in Ukraine [12; 13].

To continue the idea of guaranteeing the repayment of credit funds, one should mention such an opportunity as the activity of funds to provide guarantees and sureties. Their services will help to expand the possibilities of enterprises to receive loans and facilitate access to the necessary financial resources for those who do not see another way to solve the problem of financial provision of their activities. This will increase the level of trust of commercial banks to business borrowers, which will be the key to improving the financing of small business.

The main purpose of guaranteeing as a financial instrument is to reduce the risk of a commercial bank by applying insurance technology: the bank pays the commission to a guarantee
institution (fund), which, in turn, will reimburse a pre-determined portion of the loan in case of its non-return. For the borrower, the undoubted advantage is the ability to reduce the bank's security requirements, as a significant part of the risk assumes the guarantee organization. For this, the enterprise also pays the commission to the guarantor [14; 15].

In general, it must be recognized that the guarantee is an effective mean of attracting credit resources for the needs of entrepreneurial structures. Therefore, managerial actions, aimed at forming and operating a system of guaranteeing the repayment of credit funds by business units, will promote the development of small business in the country.

Along with the guarantee services, one should mention the following means of the indirect influence of the state on the activity of small business, such as the promotion of alternative financing schemes (leasing, factoring, micro-lending and venture financing).

One of the most effective means in this context is leasing, which involves providing small business with equipment that guarantees the full use of the money for its intended purpose. An entrepreneur, who cannot afford the necessary equipment at his/her own expense, takes it for rent, thus retaining a significant amount of money for his/her own needs and development. Accordingly, due to this, an entrepreneur invests in his business through savings thanks to leasing operations. Such actions will undoubtedly improve the financial position of business units and increase the level of their competitiveness in the market [16—18].

In order to stimulate the development of leasing operations, at the state level, it is necessary to unify and improve the legislation, using the positive practice of developed countries. It is also necessary to draw attention to the need for the development of leasing companies, according to which it is worth stimulating banking institutions to invest in their authorized funds. For this purpose, in the process of carrying out such operations, it is necessary to exempt from taxation the part of the profits, which is directed towards the acquisition of the shares of these companies. These measures may partially improve the situation in the field of leasing financing of small business, although the performance of leasing operations still depends on the level of economic development of the state.

Along with leasing, an important source of financing for small business can be factoring (assignment credit) as one of the tools of the financial market. This operation in the general sense is a deferral of payments for an entrepreneur, and it involves three parties, one of which undertakes factoring obligations.

Entrepreneurs benefit from such transactions because here one can talk about reducing credit payment risk. It is much easier for entrepreneurs to plan their payment transactions, as well as thanks to factoring both the turnover of working capital of entities and the level of their creditworthiness are accelerated. Therefore, at the state level, the development of factoring companies and factoring services for the sphere of small business should be stimulated.

It is also worth mentioning such direction of state support for small business as an improvement of the financial market infrastructure. Financial infrastructure is a set of institutions that focus on temporary free financial resources in the form of loans. The subjects of financial infrastructure can include banking institutions, currency and stock exchanges, credit unions, guarantee and insurance companies, investment funds and companies, etc.

In order to improve the interaction of small business and objects of financial and credit infrastructure by the state, measures should be taken to ensure information transparency of the financial market, equal access of participants to information flows on it. In this regard, highly topical is the formation of a single information space of financial and credit infrastructure objects and the provision of legal and open access of small business to it. In order to provide access to full and reliable information for entrepreneurs, it is necessary to develop information standards that meet the information requirements adopted on the financial markets of the United States and Western Europe.

It is also necessary to facilitate the access of small business to trading at stock exchanges and to establish a system for disclosing information about securities transactions at the stock
market. Receiving such information in real time will allow small business to be involved in the purchase and sale of securities and obtain a potential return on their possession.

Separately, there is a necessity to focus on training specialists on the provision of consulting services on the participation of small business in financial market operations. Indeed, there is often a shortage of qualified assistance to business units on the market. It is also important to emphasize the innovative aspect, as it is closely linked to increased informatization and improved advisory services in the field of small business.

The development of business on an innovative basis requires a lot of attention from the state. This involves the development of innovative business on the basis of the activity of specialized organizational structures, sufficient funding and implementation of programs of innovative entrepreneurial structures development. One should remember that innovations are the key to the progressive and sustained development of society, since technological and scientific progress is capable of accelerating the development of the state in accordance with the challenges and requirements of the present [11].

Conclusions. Organization of a successful small business in the country should be based on effective financial and lending support from the state and the search for new means of financing small business. This, in turn, will enable an increase in the competitiveness of the national economy by strengthening the position of business at the market and the capture of new segments on the international level.

In order to improve the functioning of small business enterprises and improve their financial support, the following measures should be taken: regarding the direct influence of public administration on the process of business development, it is necessary to increase budget allocations, to introduce preferential lending and partial compensation of interest rates on loans. Regarding the indirect means of public administration influence on the small business development, at the state level it is necessary to support the infrastructure of the financial services market; to stimulate competition among the subjects of the financial market; to ensure access of small business units to financial resources by reducing the cost of lending to small business; to promote the involvement of a wider range of small business representatives in the program of partial compensation of interest rates on loans of business units for their extended reproduction. It is worth emphasizing on the importance of training specialists for providing advisory services on the participation of small business in financial market operations.

Литература
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