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## **Кваліфікаційна робота**

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на тему: **«Фінансові особливості започаткування та ведення бізнесу в  
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## INTRODUCTION

**Relevance of the research** The development of the financial system of Ukraine, especially under the influence of globalization processes and the European integration course, leads to increased opportunities for the organization of financial relations of business entities. Starting and effectively operating a business in Ukraine is impossible without the formation of sufficient equity, or, in case of its absence - without the possibility of attracting additional sources of financing using debt financing, financing by equity, and other new methods of business financing.

Managing various aspects of business requires financial decisions. These decisions accompany business from the initial stage of its creation and choice of form of management, and hence the method of initial capital formation, in the processes of direct activity, formation and use of income, interaction with the business environment and the state, attracting capital for development and expansion.

Therefore, in modern conditions in the economy of Ukraine the issue of effective formation, distribution and use of financial resources of economic entities becomes especially significant.

Business is an important component of the development and functioning of the state economy, but every year the competition in the market increases, which creates significant obstacles and risks for entering the market of new enterprises and the development of existing ones. It is necessary to look for alternatives for big business owners, as they look for development options, and minimize risks for start-ups. That is why the study of financial bases for doing business is quite relevant. Most research has been conducted internationally, and domestic business has its own characteristics, which is related to the financial and legal aspects of its development.

Creating a start-up has become much easier than it was 100-200 years ago. That means that more people can afford to take a risk and start a company. This is why it is so important to understand the principles on which a successful start-up can be built. Overall economic knowledge of people in Ukraine stays on a pretty low

level which is the reason this topic was chosen. In order to make practical conclusions on the situation with start-ups in Ukraine different methods need to be used.

**The purpose of the research** is the investigation of the financial peculiarities of starting and running a business in Ukraine.

In order to do that, three major steps were taken:

1. Considering the theoretical foundations of business;
2. Analyzing the process of business management in Ukraine;
3. Investigating the prospects of doing business in Ukraine.
4. Providing recommendations on how to improve business environment in

Ukraine

5. Explore international experience in starting and managing business

**The object of research** is the process of starting and managing business.

**The subject of research** is the financial peculiarities of starting and running a business in Ukraine.

**Research methods** It is important to conduct both empirical and theoretical research. Theoretical method includes comparing, classification and making analogies. It allows to understand the topic on a deeper level and see the whole picture before moving to more detailed research. Empirical method, in its turn, is core for the practical aspect of the work. In order to have the understanding of the real situation in the field of start-ups data has to be collected and conclusions have to be made in regard of it.

The structure of the paper includes 3 sections, each dedicated to a particular goal. The first one provides a theoretical analysis of the start-up field in Ukraine and suggests the core aspects of a new business. The second one provides a more detailed analysis of management processes in Ukraine and emphasizes the pros and cons of doing business in Ukraine.

## SECTION I

### THEORETICAL FOUNDATIONS OF BUSINESS

#### 1.1 The concept of business and its management

In the economic literature there are several concepts of the term "business". For example, Alan Hosking, author of Business Studies, one of the many systematic publications of Holborn College, London, gave the following definition: "goods or services in exchange for other goods, services or money for the mutual benefit of interested persons or organizations." [1]

Business, as a process, involves the performance of certain functions:

- financial management and accounting;
- staffing and logistics;
- production, marketing, research and design work.

Other economists view business as a specific economic activity organized within a certain structure, the purpose and result of which is to generate income.

Every business, therefore, has its own economic and organizational form as an enterprise. The company, seeking to stand out over the market among the like, creates and registers its differences as a brand name and attributes. Here the concept of business is broader: business is seen not only as a process of activity, but also as an object of property that can be sold, mortgaged, insured, bequeathed and that's where business becomes the object of the agreement, the commodity.

Business is a set of business relationships of enterprising people in order to meet consumer demand and make a profit. Profit is money or material values received from an enterprise or some kind of activity. The contract for such activities is an agreement. Those monetary (or material) funds that go to support such activities are called costs, expenses or expenses. Profit is the positive difference between

income and expenditure. A negative difference is called a loss. Thus, entrepreneurial activity can be considered a business if it meets three main parameters:

**Table 1.1** Main parameters of a business

Parameter	Explanation
Profitability	The result of such activities is always a real profit.
Stability	Profits must be stable: business is a long-term activity, not a one-time agreement.
Legitimacy	This is a legitimate activity: illegally obtaining any income cannot be considered a business.

*Source: created by author based on data [1]*

In modern theory the main aim of business is not receiving the profit but maximizing the value, maximizing the equity.

The very idea of business is to create added value, i.e., creation of a certain added value for the consumer (customer), for which he is ready and will pay money (or other values).

The business concept is defined by the following areas of activity:

- activity in commodity markets (purchase and sale in favor of material and technical supply of production and sale of manufactured products);
- activity on the market of means of production (purchase and sale, lease and leasing of enterprises, real estate and movable property);
- foreign trade activity;

- activities in the securities market (issue and purchase and sale of shares, bonds and other securities, including in favor of the acquisition of other companies, acquisition of subsidiaries and financing of domestic growth);
- activities in free economic zones;
- profit-making intermediary activities. [2]

Strategic planning is the management activity to create and maintain strategic compliance between the goals of the firm, its potential material and technological capabilities and opportunities in the field of marketing and to achieve strategic advantage over competitors. Thus, the meaning of strategic planning is:

- 1) creating conditions to curb the desire of managers only to maximize current profits to the detriment of achieving long-term goals of the business;
- 2) focusing managers more on anticipating future changes in the macro and microenvironment of the firm than on responding to changes that have already occurred;
- 3) determination of conditions for establishing reasonable priorities for the distribution of usually limited production resources in order to mobilize them to achieve specific goals;
- 4) reducing risk in economic activities and ensuring the concentration of available resources in selected priority areas. [3]

Therefore, it is obvious that creating a business requires an entrepreneur to have a proper set of skills that would allow them to make the right decisions on every step of creating a business. The process of creating a start-up takes a lot of time and expects an entrepreneur to have a precise strategy of business implementation. A successful start-up requires both creativity and understanding of business processes which is why many start-ups in Ukraine end up failing due to the lack of professional expertise among Ukrainian entrepreneurs.

## 1.2 Business classification and specification

One of the key issues in organizing a business (entrepreneurship) is the choice of its form. In this case, each entrepreneur is guided by their own considerations and ideas about their future activities and, above all, that the chosen form corresponds to the purpose of its activities, specific business conditions, protect the property interests of participants and considers their financial capabilities. Three main organizational forms of business are shown in a table below:

**Table 1.2** Three main organizational forms of business

<b>Organizational form</b>	<b>Number of owners</b>	<b>Description</b>
Sole proprietorship	One	One person makes all decisions and takes all risks
Partnership	Two and more	Cooperation between entrepreneurs to accumulate more resources
Corporation	Collective ownership	Collective ownership of capital, decisions are made by professional managers

*Source: created by author based on data [3]*

Sole proprietorship is a form of entrepreneurship where one person is both the owner and the entrepreneur, earns all the income and is responsible for doing business. It is the simplest and most common form of business organization in countries with developed market economies.

Advantages of sole proprietorship:

- simplicity of organization - it is easy to start and stop, it does not require significant time and money;



- full independence, freedom and efficiency of action - there is no need, when making decisions, to obtain the consent of partners;
- profit depends entirely on the successful activities of the entrepreneur, which encourages them to do business effectively;
- confidentiality of activities;
- low costs of organizing production - small funds are needed to start a business;
- simplicity of taxation - in some countries does not differ from the taxation of personal income;
- small business size allows the owner to maintain contacts with its employees and customers (customers).

#### Disadvantages of sole proprietorship:

- difficulties in attracting large capital, as the sole financial resources of a sole proprietor for the development of their business is mostly not enough;
- unlimited liability - in case of failure, the sole owner risks losing not only business but also personal property, which acts as a guarantee when obtaining loans;
- limited opportunities to expand production;
- difficulties in the division of labor, specialization, production and management - in this regard, there are great physical and psychological burdens on the entrepreneur;
- uncertainty of terms of functioning. [1]

Partnership (partnership) is a form of entrepreneurship that involves the pooling of capital of two or more individuals or legal entities under the conditions of risk-sharing, profit and loss on the basis of equality, joint control of business results and active participation in its conduct. The basis of the relationship between the parties to the partnership is an agreement.

#### Advantages of partnership (partnership):

- financial opportunities are much wider than those of sole proprietors, as there is a combination of several capitals and there is more trust from credit institutions;
- sample opportunities for production expansion;

- freedom and efficiency of action;
- the possibility of specialization in management, i.e., the distribution of management functions between partners, as well as the ability to attract professional managers.

Disadvantages of partnership (society):

- unlimited liability of the company may threaten all partners as well as the sole owner;
- the presence of conflicts between the interests of members of the company;
- differences in management decisions.

Corporation is a form of entrepreneurship that involves the collective ownership of capital, as well as the concentration of enterprise management functions in the hands of professional managers (managers).

Corporations are the dominant form of entrepreneurship in the economies of many developed countries in terms of output or services.

Advantages of the corporation:

- the possibility of mobilizing additional capital by issuing securities;
- use of scientific management methods and professional managers;
- the possibility of using the money market and capital market allows a flexible transition from one activity to another;
- lower risk of bankruptcy;
- relatively greater stability;
- the possibility of existence regardless of how many times the owners have changed;
- each shareholder as a co-owner of the corporation has only limited liability (in case of bankruptcy of the corporation he loses only the value of his shares);
- A corporation is a form of business that can operate for a long time

Disadvantages of the corporation:

- organization and liquidation of the corporation requires significant costs;
- pays higher taxes per unit of income than other organizational forms of business;

- differences in the interests of members of the corporation make it difficult to achieve effective management;

- complex organizational structure of management generates bureaucratization;

- there are potential opportunities for abuse by officials;

- greater regulation by the state.

The choice of business depends on the personal vision of the entrepreneur, is determined by objective conditions - the scope of activities, availability of resources, commitment to certain forms of business and is based on the following principles:

- equality of all forms of certain economic activities without granting privileges to any of them;

- economic activity and freedom of choice of business forms;

- the possibility of transition from one form to another and the formation of symbiosis with the acquisition of new qualities and the loss of some previous characteristics;

- interdependence and complementarity of business forms;

- deideologization, which is manifested in the rejection of prejudices, outdated stereotypes about the appropriateness of certain forms of business;

- non-interference of the state in the natural process of development and spread of various forms of business. [4]

The functioning of all forms of business is also based on certain principles:

- free choice of business activity;

- involvement of resources (cash and property) of individual entrepreneurs and legal entities on a voluntary basis to start and expand activities;

- independent formation of the activity program, a choice of production suppliers and consumers.

Quantitative parameters of classification are determined by qualitative parameters and primarily by type of ownership. For example, small enterprises are usually either individual, private firms, or small collective enterprises (cooperatives or societies).

Medium and large entities are limited liability companies or joint stock companies. Business development practices in different countries have developed many approaches to the classification of business forms, but most scholars and practitioners have concluded that excessive fragmentation of business forms is not justified, because whatever classification criteria are used - it comes down to single or group production and ownership. Based on this, we can conclude that the main forms of business are individual and collective entrepreneurship.

The peculiarity of individual entrepreneurship is that the businessman acts at his own risk, under full personal responsibility. Individual entrepreneurship is an individual enterprise (firm) based on personal property and labor of an individual (individual labor activity) or a private enterprise (firm) - as the property of an individual citizen with the right to hire labor. A type of private enterprise is a family enterprise (firm) based on the property and labor of members of the same family living together.

The peculiarity of collective entrepreneurship is that the partners - members of the team are jointly responsible for the affairs of the firm. Collective entrepreneurship is a variety of forms of collective ownership: joint-stock, municipal, mixed, and so on. It takes the form of various enterprises, societies, firms, associations.

The transition to an innovative model of entrepreneurship gives rise to new forms: venture entrepreneurship, engineering, leasing, technology park, retail network, franchising, etc.

Venture business is carried out in the field of financing high-tech projects in order to maximize profits.

Engineering - a system of providing services of industrial, commercial and scientific and technical nature, provided by specialized firms and industrial, construction companies.

Leasing - business activity aimed at investing own or borrowed financial resources, which consists in providing the lessor for exclusive use for a specified period of time to the lessee.

Technopark is a large-scale innovation and technology center, which provides conditions that are most favorable for scientific and technical innovation projects carried out by the joint efforts of research centers and industry.

Retail chain - two or more objects (establishments) of trade under common ownership and control, which sell goods of the same range, have a joint procurement and sales service, and possibly a similar architectural design.

Franchising is a form of entrepreneurial activity that consists of cooperation between legally and financially independent parties (firms and / or individuals), in which one party (franchisor) has a successful business, a well-known brand, know-how, trade secrets, reputation and other intangible assets, allows the other party (franchisee) to use this system under certain conditions.

Merchandising is a system of forms and methods of trade intensification, the purpose of which is to increase the demand for products through the art of presenting goods in the trading floor. These measures allow to form a positive impulse in consumers, aimed not only at buying, but also at creating an image of the brand in the minds of the buyer. [5]

There are different areas of business which a start-up can relate to. An entrepreneur is required to understand the peculiarities of the area chosen. The main ones are provided in the table below.

- industrial entrepreneurship;
- commercial entrepreneurship;
- financial entrepreneurship;
- intermediary business;
- consulting business.

Production entrepreneurship is a leading area of economic activity, because it directly provides the production of goods and services. Commercial entrepreneurship develops in the form of trade, trade and procurement, trade and intermediary entrepreneurship, as well as commodity exchanges. The main content of commercial entrepreneurship are transactions and agreements for the sale (resale) of goods and services. Before starting a business, it is necessary to perform market

analysis. With the help of marketing, all types of life cycle of a commercial enterprise are carried out: market research, promotion of goods through channels of circulation to the final consumer, financial support and profit. At the same time, goods differ in the characteristics of demand: the first group is goods that have not yet conquered the market and therefore need increased attention and evaluation in terms of their possible market consumption; the second group - traditional goods that are in steady demand.

Financial entrepreneurship is a type of entrepreneurial activity that involves buying and selling money and securities for other money and securities for profit. Financial entrepreneurship plays an important role in the economy, as it serves the money supply, provides other types of entrepreneurships with financial resources, balanced distribution of capital in the economy and so on. The content of financial entrepreneurship is the exchange of values, money circulation, trading in securities and others. The main types and forms of business are financial intermediaries. The key players in financial entrepreneurship are banks, investment funds and investment companies, stock exchanges, individual firms and even individual entrepreneurs.

Intermediary entrepreneurship - a type of entrepreneurial activity in which the entrepreneur represents the interests of the producer or consumer in the market. The main content of intermediary entrepreneurship is to combine the economic interests of the two subjects of the entrepreneurial process and combine them into a single whole.

One of the common forms of mediation is agency, i.e., the form of management in which the agent (intermediary) acts on behalf of and for the benefit of the producer or consumer (principal). There are several types of agents. Agents (representatives) of producers represent the interests of several producers of the same type of goods. Authorized sales agents (distributors) interact with manufacturers on a contractual basis.

Procurement agents are usually involved in selecting the range of goods that consumers need. All agents cooperate with principals on a long-term (permanent) basis.

Consulting business - paid commercial consulting on management issues. The common name of consulting business - consulting.

Management consulting is the provision of independent management advice and assistance, including the identification and assessment of problems or opportunities, as well as recommendations for the implementation of appropriate measures and assistance in their implementation. [6]

### **1.3 The basic steps of creating a business**

Creating your own business is always a huge risk and it involves the process of overcoming the resistance that inevitably arises at the beginning of a new business. When creating your own business, you need to know that it is not only an opportunity (under favorable conditions) to enjoy the benefits that foretell this endeavor, but also the responsibility for its functioning, development and survival.

It is not easy to start and organize your own business. Each decision is made based on a specific situation and therefore is unique, however, all the decisions have something in common - they involve putting a lot of effort in order to create the benefit of creating your own business.

The starting point from which one's own business begins is the idea underlying it. This may be the idea of a new product that will be produced by the company being created; services it will provide to the customers; mechanism of organization and management of production, etc. An idea of creating a business can be both own (original, first born) and, in this case, the company is created for its implementation, or borrowed. In business practice, the idea is the starting point of entrepreneurial activity.

The idea and type of activity are interrelated. An entrepreneur can't choose an activity without knowing what kind of business they are going to do. However, a

well-chosen activity allows the entrepreneur to fully implement the idea. In specific practice, a clearly formulated idea is a type of activity, i.e., acquires its own form of implementation. However, coming up with an idea and determining the type of activity is not enough, an entrepreneur also needs to choose the form of organization and stage of operation of the enterprise and, in order to do that, they need to solve the following tasks:

**Table 1.3** Entrepreneur's tasks before starting a business

<b>Aim</b>	<b>Task</b>
Business area	finding the right business niche
Proper conditions	determining the time and region where the company will be established
Organizational form	recording the form of entrepreneurship (individual or collective)
Resources	diagnosing the resource and raw material base, giving it an expert assessment
Market	analyzing and evaluating future consumers and competitors
Prices	developing a pricing policy for your product or service
Investment	exploring the possibilities of investing money and obtaining loans
Advertising	setting up advertising

*Source: created by author based on data [6]*

The main founding documents confirming the status of legal entities include the charter and the memorandum of association. For the entrepreneurs who create individual, private companies as small enterprises with an individual form of business organization, the required document is the company's charter and for a full, limited partnership with a collective form of business - the memorandum of



association, and for joint stock companies, limited and additional liability and additional liability and different associations of enterprises - both of these documents are required. The procedure and mechanism of their organization don't differ a lot. However, this does not mean that the entrepreneurs need to conduct a charter or a memorandum in cases where one of the documents is not required.

Since the charter and the memorandum of association of enterprises and firms have an independent meaning and equal legal force, they should be approved and amended in the same manner. They should not textually duplicate each other, although the most fundamental provisions should be formulated identically. This applies, in particular, to the name of the enterprise (firm) and its location; the volume of the authorized capital; the size and contribution of each participant; the procedure and deadlines for making deposits etc. In case of conflicting wording, preference should be given to the provisions of the memorandum of association, registered along with the statute.

Decisions of the meeting are gathered in the minutes, which are signed by all the founders. In the case of a positive decision, the firm is considered founded. At the regular meeting, the prepared founding documents are considered and approved. This fact is confirmed by the protocol. The charter and the founding agreement are signed by all founders (participants), reproduced by the required number of copies, certified by a state notary and submitted for registration. Only after registration the enterprise (firm) gets the right to operate.

The statutory fund is created by making contributions by the founders (participants) and can be replenished by profits from the economic activities of the enterprise, and (if necessary) also additional contributions of participants, including sponsors. Contributions to the fund can be: all types of property - buildings, structures, equipment and other tangible assets; funds of founders (participants), including in freely convertible currency; all types of property rights - for the use of land and other natural resources, various property objects, as well as for the use of inventions, other intellectual property and other rights that do not belong to property, but have a commodity cost.

Terms, amount, procedure for making and assessing the contributions of each founder (participant) to the statutory fund are determined in the founding documents. The assessment is carried out in both Ukrainian and foreign currency, at the exchange rate of the National Bank of Ukraine.

State registration completes the process of creating an enterprise (firm). It is carried out in the executive committee by the state administration at the place of activity or residence of business entities. The following documents must be submitted for state registration: a completed registration card (issued by the registration authorities), charter or memorandum of association, if required for the created organizational form of business, written confirmation of the legal address provided by the owner or his authorized body, receipt confirming payment for state registration. [7]

Entrepreneurs-citizens who carry out their business without obtaining the status of a legal entity, submit only a completed registration card and a document confirming payment for registration. State registration is carried out in the presence of all documents within five working days. The registering body is obliged to issue a registration certificate within ten days and submit information to the tax inspection and state statistics bodies. The state registration certificate is the basis for opening accounts in the bank's institutions at the place of registration of the enterprise (firm) or in any bank institutions by agreement of the parties. The bank, in turn, is obliged to open a bank account and notify the tax inspection within three days.

Therefore, creating a business is a complex process including many legislative and financial procedures. The steps provided above are the fundamental ones for starting a company. However, in order for it to survive and become successful much more is needed. An entrepreneur has to understand both financial and legislative peculiarities of starting and managing business or have people who can handle that for them. It is also important to realize that every country has its own legislation regarding the creation of a business which needs to be taken into account.

### **1.4 Terms of creating a business plan**

Nowadays, no company is able to operate profitably in a market economy without carefully prepared business plans, and recently the situation has changed in the direction of increasing attention to business plans for foreign economic activity for companies focused on the international market [7].

Based on its name, the business plan of foreign economic activity is a normal business plan that meets all the conditions of its formation, and which reflects the implementation of any form of foreign economic activity.

In the scientific and educational literature, the business plan of foreign economic activity is defined as [25]:

- a special management tool, widely used in almost all sectors of the modern market economy, regardless of the scale, form of ownership and scope of the enterprise;
- a common means of management, a functional form of continuity of foreign trade planning;
- a standard document for most countries with developed market economies, which substantiates in detail the concept of a real investment project, and its main characteristics;
- a document that contains a system of time and space related and coordinated with the purpose and resources measures and actions aimed at maximizing profits from the implementation of the business agreement [25].

Depending on the nature of business, any business plan of foreign economic activity must have its own composition and structure, but given the classical approach to business plans, business plans of foreign economic activity must provide sections that reveal the main idea and objectives of business, characterize the specifics of the enterprise product and meet the needs of the domestic or foreign market, provide a market assessment, determine the organizational and production structure, etc. [5].

Therefore, when drawing up a business plan for foreign economic activity, it is recommended to use the standard structure [1]. The general characteristics of the sections of creating a business plan are given in table 1.4.

**Table 1.4** Fundamental creation of sections and goals of the business plan

Section name	Section composition	Aim
Resume	Results and conclusions of the business plan	Objective assessment of products, activities
Company description	General description of the company and business, analysis of market stability, product description and services	Basis for analysis and calculations
Marketing plan	Marketing situation, competitors' activity analysis	Influence of positive and negative factors of demand and purchasing power
Company's product policy	Analysis of the level of competitiveness	Justification of the possible level of sales, formation of pricing policy
Production plan	Description of the production cycle	Identifying the need for production capacity and manpower, calculation of the level of production costs
Management and organizational section	Description of company management	Calculation of capital needs and estimates of overhead costs
Sensitivity analysis	Analysis of start-up efficiency, cash flow design	Calculation of financial indicators, justification of break-even conditions
Evaluation and risk insurance	Analysis of types of risks, the possibility of its occurrence, possible losses	Development of measures to prevent risks, forms and conditions of insurance

*Source: created by author based on data [1]*

Considering the main stages of creating a business planning for foreign economic activity, it can be argued that this type of planning activity involves a comprehensive analysis of the situation, setting goals, developing strategies and agreed action programs, allocation of resources in accordance with identified development priorities [26].

Thus, business planning of foreign economic activity is objectively necessary for any enterprise-subject of foreign economic activity. After all, this allows companies operating in a globalized market to obtain additional profits through the fuller use of the benefits of international labor and international economic integration.

### **Section 1 conclusions**

A successful start-up needs a lot of preparatory work done due to the financial peculiarities and characteristics of the market. It takes more than just a good idea for a new business to survive. A business plan, which is one of the core factors of a successful start-up, has to be really precise and detailed and it should cover any risks that may appear. As mentioned, it is also important to choose the location of business and its production chains.

If a business is focused on the domestic customers, a business plan is easier to make and has less factors that need to be included in it. In its turn, a business focused on foreign market will need different research to be conducted. In general, the business plan of foreign economic activity is a systematic assessment of prospects for development of the organization, based on the results of analysis of internal and external factors. The planning process itself encourages the entrepreneur to look at his business objectively from all sides.

Choosing the right field, understanding a customer and how legislation works regarding new businesses are some of many factors that need to be included in the process of planning. Planning can be considered as the most important part of

creating a business because that's where an entrepreneur can solve problems that may cause serious problems in the future if not taken care of.

## SECTION 2

### ANALYSIS OF BUSINESS MANAGEMENT PROCESS IN UKRAINE

#### 2.1 Analysis of factors influencing startups

The term "startup" originated in the United States in 1939, when two American students Hewlett and Packard created their own small firm called "start-up". Over time, the company has reached a global scale and is now known to us as Hewlett-Packard (HP).

Characteristic features of newly created companies, which are startups, are the following:

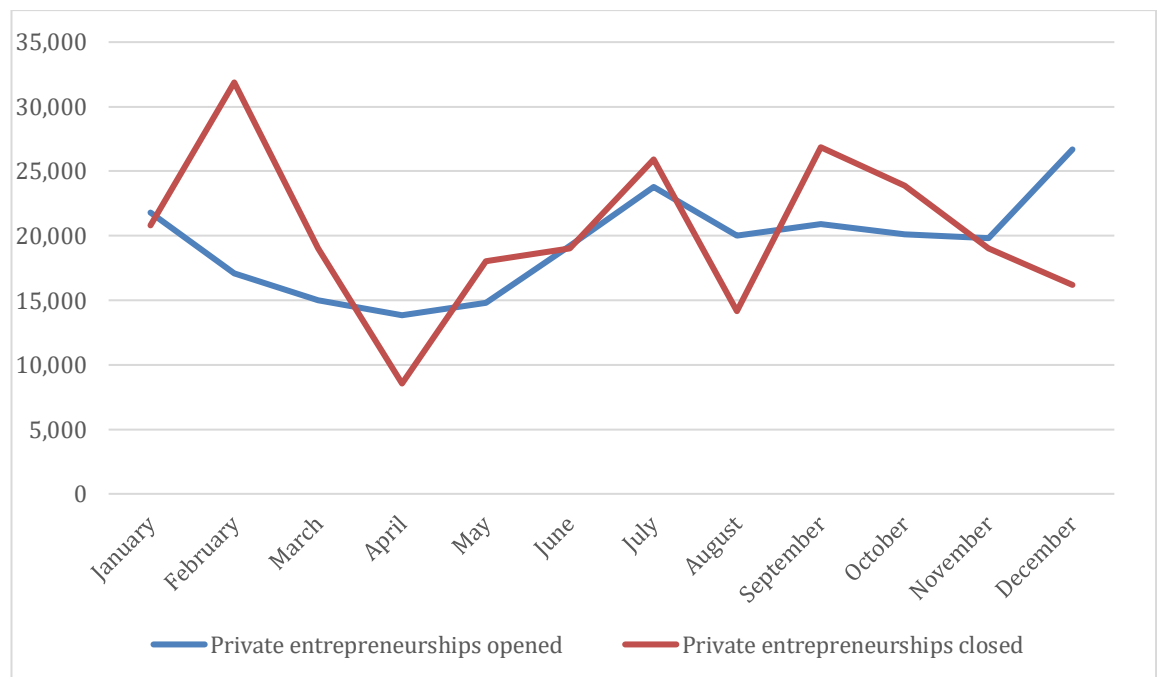
1. creating a new and unique product that will meet the most important needs of consumers;
2. rapid development (usually, startups are created in 3-4 months, except for high-tech startups, which require more time to implement);
3. lack of initial financial resources to implement the idea (in most cases, the initial investment is the starting capital of the founders of the project);
4. high risks (according to statistics, about 70% of all startups "do not survive" in the market in the first year of existence, and the rest - 40% do not live to two years of the company). [23]

Based on the features, we can identify certain stages of development of startups:

- sowing stage (creation of start-up capital after writing the project on paper);
- launch stage (company entry into the market);
- growth stage (gradual growth of the company after entering the market);
- stage of expansion (business expansion, increase in production and sales, entering a new "market niche" and others);
- stage of "exit" (sale of a block of shares owned by the investor, with his subsequent exit from the company).

A venture capital fund is an investment fund whose activities are aimed at investing in investment projects.

Besides, the business environment is constantly changing, and entrepreneurs have to adapt to the challenges of new circumstances. Both small and large businesses need to react to the changes in business climate. However, small businesses have much bigger risks when it comes to surviving in the times of crisis. In addition, the rate at which start-ups are being created in the country also goes down. This is also relatable to Ukraine. In 2020, a pandemic has changed the world business environment dramatically. A massive financial decline that was forced by the urge of countries to protect their citizens. Below, you can see how a number of private entrepreneurs was changing throughout the 2020.



**Figure 2.1** - Private entrepreneurs count in Ukraine throughout 2020

*Source: created by author based on data [35]*

It is easy to see how unstable the situation was and, especially, the critical decline of February – April that was one of the hardest periods of time. World economy suffered great losses as well as the entrepreneurs have lost the capability of successfully creating start-ups. Strict regulation and changes in monetary policy



had a great impact on Ukraine during the pandemic. Gathering all resources to fight the spreading of the disease on the territory of Ukraine was essential so the government had to take risks and try to keep the economy stable.

Another source of funding for new projects is crowdfunding, which is the collective, voluntary collaboration of people who pool their resources to fund and support others. An example of the world's most famous online crowdfunding center is the Kickstarter project, a startup based on voluntary contributions to investment projects.

For effective and rapid development, in addition to financial support, startups also need non-financial support, which includes advice on the implementation of the idea, advice on legal issues, taxation, accounting and marketing. The so-called "business centers" and "business incubators" deal with these issues.

The business center is an organization that provides information, consulting, marketing and other services to small and medium-sized businesses.

A business incubator is an organization that provides, under certain conditions and for a certain period of time, specially equipped premises and other property to small and medium-sized businesses that carry out their activities in order to obtain financial independence. In other words, business incubators enable business entities to fully focus on business tasks and reduce the cost of management. The period of stay in the business incubator lasts about 12 months, but can reach three years [9].

The most common are the following forms of business incubators: European, American, symbiotic, online business incubator or virtual business incubator [6].

Examples of business incubators in Ukraine are: EastLabs, iHUB, Happy Farm, GrowthUp, WannaBiz, Voomy IT-park and Polyteco [9].

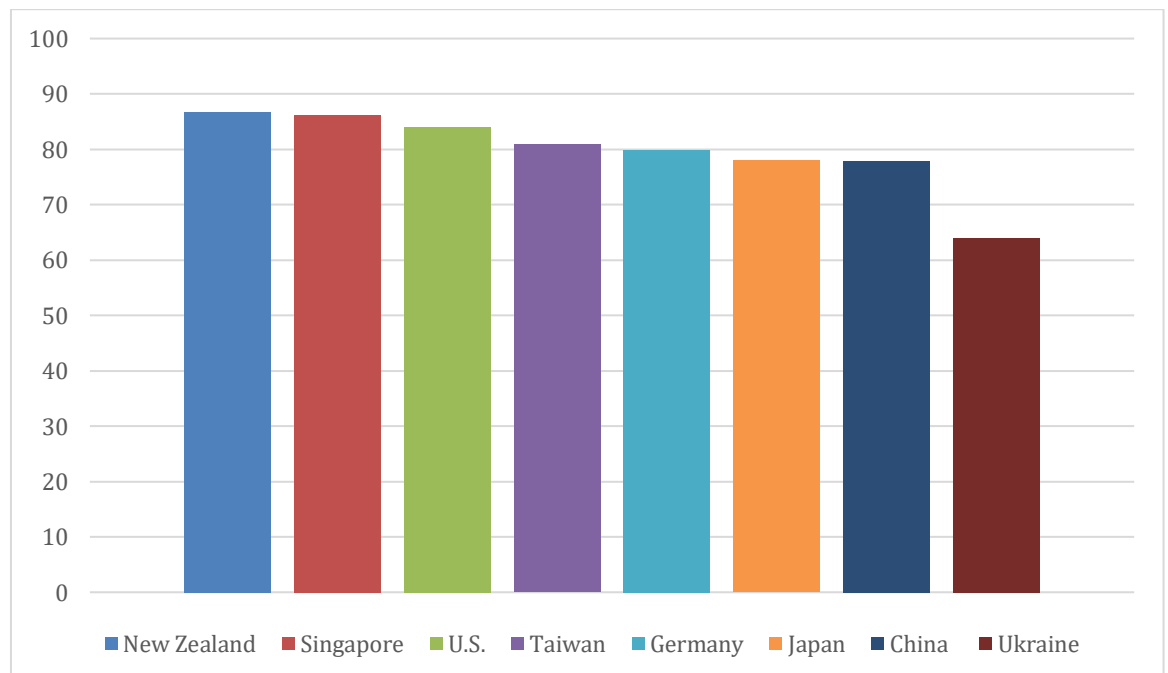
Startup Ranking, based on an analysis of the number of startups in 137 countries, has developed a ranking in which Ukraine ranked 37th (77 startups), ahead of South Korea and Estonia. The first place in the ranking is occupied by the United States - 3687 startups, the second place in India - 990 startups and the third place went to the United Kingdom with 555 startups [9].

The most famous Ukrainian startups that operate in international markets and have gained a world name are: DepositPhotos, IT company Terrasoft, TemplateMonster, Petcube, Grammarly.

DepositPhotos is an intermediary service between sellers and buyers of quality photos, vector images and videos. Today DepositPhotos is one of the five largest photo banks in the world: it is used in 192 countries, the service supports 20 languages.

IT company Terrasoft is a well-known manufacturer of CRM systems, which helps companies organize interaction with their customers through process automation and marketing, as well as keeps a history of communication with customers to improve service. The company is one of the leading industry leaders in the CIS market [9].

Every country is trying to create the best conditions possible for entrepreneurship as it brings a boost to the economy and is important part of further development. A table below shows which countries are most start-up friendly and where Ukraine is compared to them.



**Figure 2.2** Ease of Doing Business ranking (2020)

*Source: created by author based on data [42]*

The table above shows that Ukraine is going up in the ranking and is working on providing good conditions for start-ups and further investments. Surely, this shouldn't stop Ukraine from moving further. It seems like the current political situation will prevent it from doing so which means that after-war time will be crucial for Ukraine to keep its positions in doing business ease ranking. Ukraine will need a lot of fresh investments, both financial and human, to renew its economy, which, in its turn, is important for rebuilding infrastructure and other elements that are mandatory for successful business development.

That is, the Ukrainian economy has a number of unresolved issues that hinder the attraction of investment in innovative entrepreneurship.

The main ones are [15]:

- insufficient support from the state;
- migration of new projects abroad;
- lack of proper infrastructure;
- lack of specialized knowledge to implement their own business ideas;
- lack of favorable investment climate;



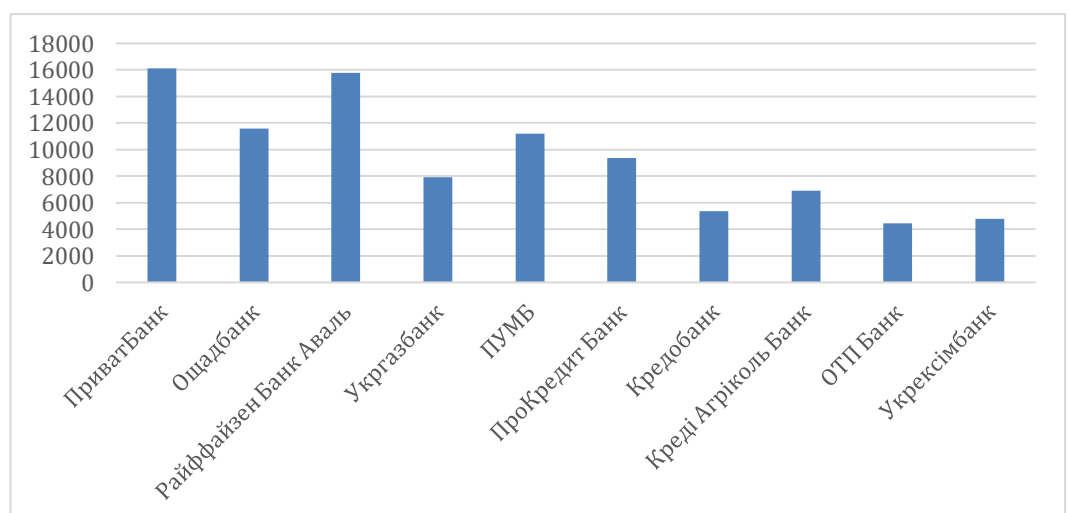
**Figure 2.3** Rankings on doing business topics – Ukraine (2020)

*Source: created by author based on data [36]*

As shown above, Ukraine is good at dealing with construction permits, which is important for developing real estate market and making Ukraine more attractive for foreign investors. Also, Ukraine has a good ranking in providing credits to entrepreneurs. This is one the most essential leverages that influence business environment in Ukraine.

Crediting is one of the key factors that influence business environment. Ukraine has a long debate going over the key rate and how crediting should be designed. Ukrainian government has been trying to keep key rate in a range which allows banks to provide entrepreneurs with affordable loans. However, in 2022 the situation has changed a lot due to the war that Russia started in Ukraine. National bank of Ukraine has made a decision to raise the key rate to the level of 25 %, which is big according to the previous levels. These changes were forced by the need to help economy adapt to the new reality of having to defend Ukrainian land from the intruders. Even though this seems to make creating a business impossible, it is the right decision in the current situation to keep the economy stable.

Despite that, before the increase of the key rate, Ukrainian banks have lead a policy to make crediting more affordable for entrepreneurs. Below, the amount of money in loan agreements for top 10 Ukrainian banks is provided.



**Figure 2.4** The amount of money in loan agreements for top 10 Ukrainian banks, in millions of UAH (2022)

*Source: created by author based on data [38]*

At this stage of entrepreneurship there is a significant rise in the development of Ukrainian startups, which are developing rapidly and have many users [9]. However, the low involvement of the state in modern innovative projects forces young companies to cooperate with foreign investors who help to implement projects and become competitive. That is why it is necessary to promote effective activity in the domestic market and recognition of startups in Ukraine, to create mechanisms for the importance of innovative technologies to increase the effectiveness of their development of Ukrainian enterprises.

Another important part of business environment is bureaucracy and legislation in the country. Ukraine is developing business regulation in order to achieve better standards and create a comfortable environment for entrepreneurs. Even though Ukrainian economy has had hard times during the crisis impacting it, Ukraine has managed to improve the circumstances in which a business is created. A chart below shows how the amount of days needed to create a business changed in Ukraine and also provides a forecast till 2025.



**Figure 2.5** Average number of days required to start a business in Ukraine

*Source: created by author based on data [38]*

The table shows that Ukraine has been improving the average number of days required to start a business for a long time. The progress wasn't so impressive until 2014, when it dropped by 14 points. This was, it has dropped to 6 days needed to start a business, which is a good indicator. In most developed countries, this number is around 4-5 days. Besides the fact that it has dropped to 6 days, this number remains constant and doesn't seem to be changing in the future.

This is an important step to creating start-up friendly environment in Ukraine. Entrepreneurs are sensible to the changes in legislation and in many cases they rely on the government to provide them with comfortable conditions of creating and managing business.

## **2.2 Positive and negative aspects of doing business in Ukraine**

When discussing the aspects of doing business, it is important to consider all factors that may influence it. It includes not only the economic aspects and legislation, which are both really important, but many others as well. For example, speaking of some of the problems Ukraine has to overcome in order to help its entrepreneurs be more successful in creating start-ups. The first thing that is applicable to the case of Ukraine is Low level of English proficiency language. The first problem that Ukrainian startups face is the low level of ownership in English among the population. Problem is that Ukrainian entrepreneurs can't go through the language barrier from investors and partners in order to cooperate efficiently. When an entrepreneur does not know English at least at the basic level, it hinders everything: international cooperation, development of new markets, communication with investors.

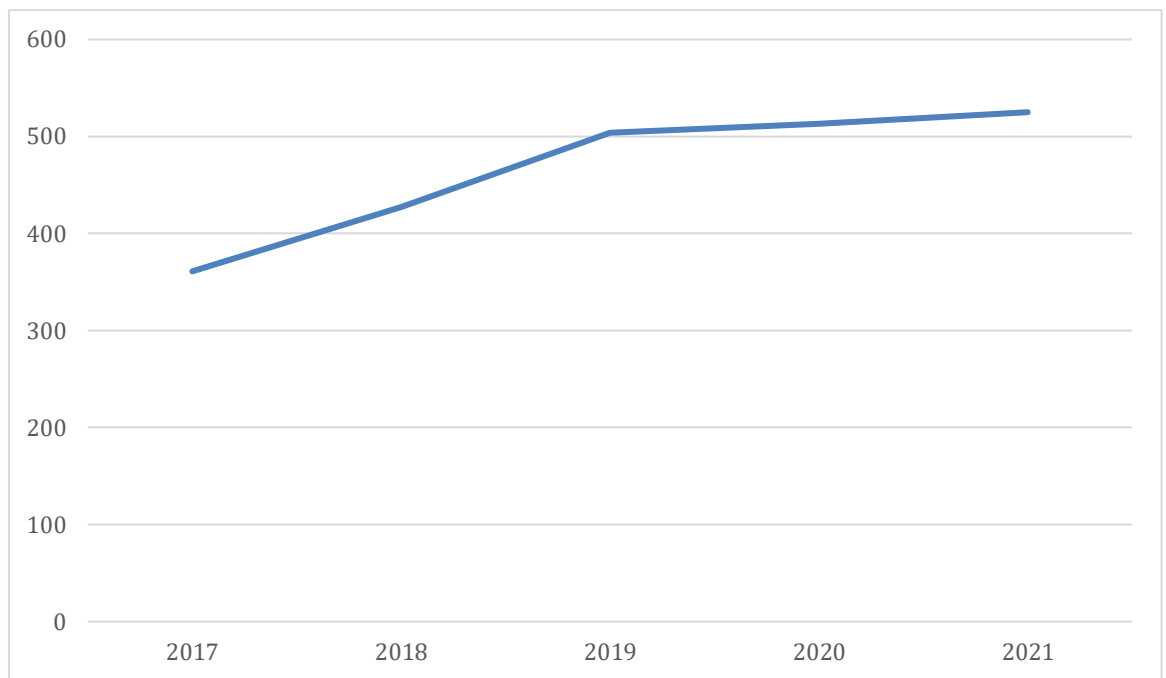
Another problem in Ukrainian entrepreneurship is lack of business culture. A low level of business culture in the country often leads to many start-ups failing due to the inability to manage the start-up properly. Here, a lack of a simple system for accepting payments from abroad can be mentioned as well. An additional barrier for

new start-ups, especially the ones oriented on global markets is a problem with receiving payments from abroad. [11]

According to a study conducted at the University of Louisville in 1991-1993, the use of franchising in the economy helped to avoid the economic crisis in the United States [6]. That is why the franchise model of doing business is very important for the state and entrepreneurs [29] .

The concept of "franchising" first appeared in the Middle Ages, but at that time was laid only as the basis for the modern form of franchising. During this period, franchising has gone from "permission to carry out certain activities" to franchising business format, which involves the transfer of a ready-made model of doing business for a fee for temporary use for commercial purposes.

Franchising is a big part of doing business in Ukraine. Ukraine is building a comfortable environment for businesses created and franchising is also a part of it. The amount of franchises is growing each year as Ukraine develops. Throughout 2017 – 2019 there was an increase in both foreign and domestic franchise brands amount. For example, the amount of domestic ones has increased from 260 in 2017 to 390 in 2019, which is a significant increase for a developing country as Ukraine. The number of foreign franchise brands, in its turn, has increased from 93 to 114 at the same period of time. Also, below you can see how the number of franchise outlets has changed in 2017-2019.



**Figure 2.6** A number of franchisers in Ukraine in 2017-2021

*Source: created by author based on data (44)*

A figure suggests that a number of franchisers in Ukraine is growing steadily during the last year. This is a good sign of comfortable business environment. Franchising came to Ukraine from abroad, when foreign franchisors began to search for franchises at the international level, which, in turn, has an undeniable impact on the peculiarities of franchising in Ukraine. Thus, the first point of franchising in Ukraine was a foreign franchise, and only a few years later the first domestic network appeared [35].

The following key events in the development of domestic franchising can be identified [7]:

- 1) 1993 - an office of the international information system "Compass" was opened in Ukraine;
- 2) 1999 - the first domestic franchise network Pizza Celentano was opened;
- 3) 2001 - the Ukrainian Franchising Association was founded, the development of intra-industry regulation and the creation of standards and requirements for members of such associations [5].



Thus, it is advisable to group different areas of definition of franchising by the degree of participation of franchising in the business organization:

- an agreement whose characteristics are similar to a license;
- method of delivery, distribution, promotion of products;
- interaction between several enterprises;
- form of business organization.

It is undeniable that the use of franchising has an impact on the company as a whole. That is why it is advisable to consider franchising as a form of business organization, which is characterized by the transfer of one company to another of their own developments (brand, business model) for a certain period on the basis of a fixed fee agreement [11] .

Another feature of the development of franchising in the domestic market is that, despite a fairly long period of development of franchising in Ukraine, the level of legal regulation of this industry is still quite low. Thus, in the Ukrainian legislation there is no concept of franchising, you can only find the concept of "commercial concession", which has similar features to franchising and is a complicated form of licensing agreement. The Commercial Code of Ukraine defines the following: conditions of use of the rights granted to him and to pay the right holder the remuneration stipulated by the contract "[34].

If we analyze the pros and cons of franchising, we must first note its positive impact on the economy, as it contributes to economic growth in general and by increasing the number of businesses and market entry of international franchisors in particular. In the first case, the country receives an increase in GDP, jobs and tax revenues. In the second case - together with foreign franchisors, the country may receive foreign investment, technology, experience in organizing and doing business. The development of international franchising leads to faster integration of the country into the international community.

The main advantage for the franchisor is the ability to quickly and without significant financial and organizational cost ensure the development of their business. In addition, territorial barriers in the form of state and legal borders,

peculiarities of doing business in the foreign market disappear [25]. A business owner who enters a geographically remote market must spend time and money on building the necessary infrastructure for the operation of the enterprise, adapt the business to the new market, and fight legal obstacles if it is a foreign market.

**Table 2.1** Advantages and disadvantages of franchising business

	Franchisor	Franchisees
Benefits	<ul style="list-style-type: none"> <li>- Saving money and time for business development;</li> <li>- greater territorial coverage and rapid development;</li> <li>- financial risks are partially transferred to the franchisee;</li> <li>- the possibility of entering foreign markets</li> </ul>	<ul style="list-style-type: none"> <li>- Famous brand;</li> <li>- ready and tested in practice business model;</li> <li>- proven production / sales technology and / or provision of services;</li> <li>- information and consulting support from the franchisor with experience in this field;</li> <li>- advertising support</li> </ul>
Disadvantages	<ul style="list-style-type: none"> <li>- The need for constant monitoring of the franchisee;</li> <li>- risks of damage to the reputation of the franchisee;</li> <li>- unreliability of the franchisee, which can lead to financial fraud;</li> <li>- Franchisees can leave the network and become a competitor</li> </ul>	<ul style="list-style-type: none"> <li>- The first payment is made when buying a franchise and may not pay off;</li> <li>- control over management decisions, as well as restrictions, requirements and prohibitions imposed by the franchisor, limit activities;</li> <li>- high level of dependence on the franchisor;</li> <li>- There is no requirement in Ukrainian legislation on the mandatory disclosure of financial information by the franchisor to a potential franchisee that may lead to incorrect assessment of the effectiveness of the acquisition of the franchise;</li> </ul>

*Source: created by author based on data [9]*

For a franchisee who is unsure of the success of their business, a franchise is an opportunity to reduce the time and money spent on developing your own brand, to start work immediately, using the authority and technology of a well-known brand. However, there are a number of shortcomings on both sides. First of all, it is a low level of legal protection by the state, which is due to the weak level of

development of the legislative component in the field of franchising and copyright protection. The risks of the franchisor and the franchisee may be manifested in their interdependence and in violation of the law and ethics of doing business. The franchisor in such a relationship risks the reputation of its own brand, which may suffer from the actions of the franchisee [9]. To minimize this risk, it limits the actions of the franchisee, as a result of which they become significantly dependent on the franchisor and receive a number of restrictions in decision-making [9]. Thus, there are cases when in order to defend their own interests and refuse to make an economically unprofitable decision imposed by the franchisor, the franchisee became the initiator of lawsuits that led to the bankruptcy of the franchisor [7].

Another bilateral risk is the unreliability of the parties to the agreement. Abroad, the franchisee has the opportunity before obtaining a franchise to obtain information about the financial condition of the franchisor and / or the success of its activities. For example, in the United States, the legal level of the franchisor's obligation to disclose financial information to a potential franchisee is enshrined in law [7]. There is no such legal norm in Ukraine, which does not allow to objectively assess the success of the franchise acquisition. As a result of the unreliability of the franchisee, the franchisor may lose profits from financial fraud and understatement. In addition, the franchisor transfers to the franchisee their own developments, which can be used to transfer to the franchisor's competitors or create their own competing company.

It is expedient to single out the problems that hinder its development. Such problems include [37] :

- Lack of a separate legal act in the field of franchising: the draft Law on Franchising was registered on December 21, 2017, but is currently under consideration, i.e. there is no current legal document in Ukraine that would regulate franchising, define the rights and responsibilities of the parties. As a result, mineralogical confusion and inconsistency of domestic definitions with international ones, which, in turn, leads to insecurity of domestic entrepreneurs in franchising relations with foreigners;

- underdeveloped institute of copyright: franchising is directly related to the transfer of copyright, but in Ukraine this industry is still underdeveloped, which does not allow to fully protect the participants in franchising;
- low level of trust in domestic entrepreneurs due to the tendency to violations;
- low level of education of the population in the field of franchising;
- difficulties in obtaining loans for business development and high interest rates on such loans: abroad, banks are creating special units that lend to franchising.

In Ukraine, interest rates on loans are higher than the average profitability in the country, which makes attracting such a source of funding unprofitable.

Based on the identified problems, the following ways to solve them can be proposed [27]:

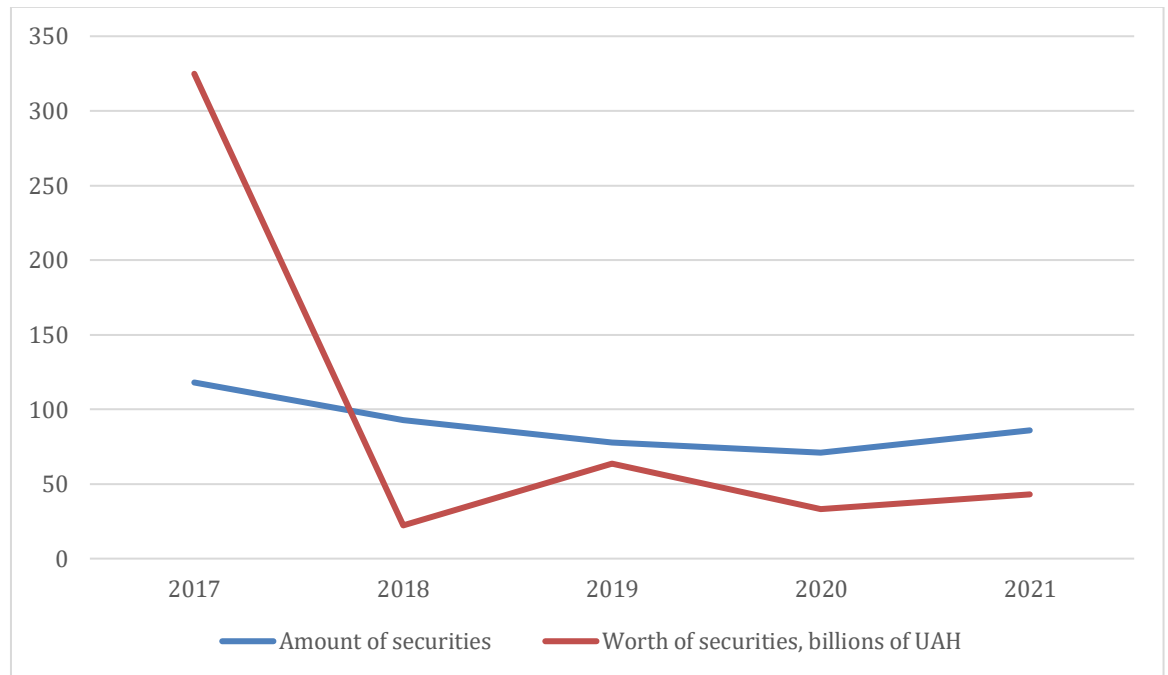
1) Development and improvement of the legal framework: approval of the main legislative act and provision of legislative definitions in the field of franchising, improvement of the institute of copyright.

2) Development of programs of state support for franchising: conducting information activities to raise public awareness in the field of franchising; providing state financial assistance and preferential credit terms for small businesses that plan to use or use a franchise form of business.

3) Development of the infrastructure of the domestic franchise market: creation of information centers that would provide information and consulting and educational services in the field of franchising.

Another important factor that influences the business environment in Ukraine is the ability for companies to grow, buy and sell shares and cooperate with international businesses. That's why stock exchange and its changes are so important. A record number of foreign securities was introduced in Ukraine in March-April 2021, Due to the small selection of securities in Ukraine, there is a low demand for foreign securities, which does not allow to form a diversified portfolio,

when it comes to investors. A table below shows the changes in the amount and the worth of securities registered by national committee of Ukraine.



**Figure 2.7** The amount and the worth of securities registered by national committee of Ukraine

*Source: created by author based on data [40]*

According to the table, Ukrainian exchange stock has been stable during the last years, even increasing the value of securities in 2021 despite the pandemic and the financial troubles the world has encountered. Even though the table shows that the worth of securities was way bigger in 2017 than it was in the next years, it should be disregarded as it was caused by the increase of share capital of PrivatBank and Oshchadbank.

## **2.3 Financial aspects of creating and running a business**

Business finance is a system of monetary relations that arise from the formation, distribution and use of financial resources of business in order to ensure its functioning and maximize value [34].

Characterization of financial relations is associated with the allocation of their objects and subjects. The object of financial relations in business structure is [34] :

- the cost of manufactured products, work performed, services provided;
- consumption funds, reimbursement of expenses and profits;
- cash receipts and accumulations (financial resources of the business).

Subjects of financial relations of the business structure are:

- business structure;
- its employees;
- the state;
- investors, creditors;
- other stakeholders and business institutions.

Manifested in the choice of the most rational ways of forming the authorized capital and attracting additional funds in business turnover, the formation of the organizational structure of financial management, which will optimize cash flows, determines the terms of business agreements, related to the methods and terms of settlements, payment of penalties, the introduction of a financial planning system to reflect the movement of cash flows; in the implementation of accounting and control of cash flows and funds [27].

Financial work in large business entities (corporations) is organized by the finance department. In a small business, financial work is organized by the chief accountant.

**Table 2.2** The system of external financial relations of business

Communication field	Content and nature of communication
Between the business and the state	Regarding the redistribution of own financial resources under the current legislation on taxation, social insurance  Formation of national trust and extra-budgetary funds; concerning the use of funds provided from state funds, implementation of state investment programs, etc.
Between the business and its owners	Concerning the use of the received profit, accrual and payment of dividends, reinvestment of profit, directions of capital investment, etc.
Between the business and its suppliers and customers	Regarding the fulfillment of economic agreements and obligations, sales of products (works, services), revenue, payment payments, etc.
Between the business and financial institutions	Regarding the servicing of their payments, receipt and refund of interest for their use, depository activities, insured events, investments and income from them, etc.

*Source: created by author based on data [34]*

The basis of the organization of business finance of all forms and types of ownership is the availability of financial resources in the necessary amounts for the implementation of organized economic activities of the owner. The formation of these resources occurs during the creation of the business [9].

Sources of authorized capital can be [9]:

- share capital,
- share contributions of members of the cooperative,
- credit funds,
- budget funds, etc.

The capital structure itself is extremely important, as it reflects the state of financial dependence / independence of the business, but the basic characteristics that reflect the conditions under which the business uses its capital, especially the cost of business capital and financial risk, which creates the formed capital structure are equally important [15].

Valuation of capital is based on the weighted average cost of capital, which takes all obligations to be met with owners into account (shareholders - through the payment of dividends on shares), creditors (banks) - in the case of bank loans, both long-term and short-term , as interest), as well as investors who can buy securities, including corporate bonds, etc., to make a profit in the form of interest.

**Table 2.3** Principles of business finance organization

Planning	Ensures compliance of sales, costs and investments with market requirements, market conditions and effective demand, i.e. the ability to make timely payments.
Financial Ratio of terms (terms)	Provides a minimum gap between the receipt and use of funds, which is very important in an unstable tax regime during inflation.
Interdependence of financial indicators	Provides consideration of changes in current legislation, regulates business activities, taxation, accounting process, mandatory financial reporting, etc.
Flexibility (maneuverability)	Provides the ability to maneuver in case of unavailability of planned sales, exceeding the planned costs of current and investment activities
Minimization of financial costs	Ensures that any investment and other costs must be the "cheapest"
Rationality	Provides investment in the most efficient investments and minimizes risks
Financial stability	Provides financial independence from other sources of financing, i.e. contributes to the critical point of the share of equity in its total size and the solvency of the business, its ability to urgently repay short-term liabilities

*Source: created by author based on data [23]*

Financial risk appears in the business structure when it starts using borrowed capital [15]. This risk is carried primarily by shareholders, as they are least protected in terms of return on invested capital, because if they do not decide to use borrowed funds for business development, they delegate these powers to their managers.



Domestic and foreign experience suggests the following principles of business finance. Specific features of the organization of finances of business structures are determined by the organizational and legal form of their activities (individual, partnership or corporation), technological and industry specifics (industry, construction, trade, agriculture), etc.

## **Section 2 conclusions**

Business as a phenomenon has gone through many changes as the world developed. Modern business has its own characteristics, and it is constantly changing together with the business environments. Nowadays entrepreneurs have to adapt to the challenges of constantly developing technology and customer needs and wants on the markets

The most important features of a modern business are its systematic nature, constant technological or productional flow, development of business relations, as well as the cooperation of various business models in countries with a market economy and global business experience. The “idea” of business is one of the main scientific categories in all modern theory of entrepreneurship. The elements included in this system are closely linked so that a business cumulates its resources and capabilities together in order to become successful.

When creating a business, it is important to understand the environment it will exist in. The most significant part here is the financial peculiarities of managing business and they often rely on the legislation of a country where the business is started, or the international finance if the business is aimed on the foreign market.

It is important to mention that creation of a business is a strict process that has to be done according to the systems of principles. The choices made by an entrepreneur need to be carefully justified, doesn't matter if it's a private business or not. As was mentioned, during the planning session most of the risks have to be foreseen, understood and taken care of. This way an entrepreneur raises the chances of a business surviving by many times.

## **SECTION 3**

### **PROSPECTS FOR DOING BUSINESS IN UKRAINE**

#### **3.1 Modelling of factors that influence the gross domestic product**

Areas of application of econometric models are directly related to the goals of econometric modeling, the main of which are:

- 1) Forecast of economic and socio-economic indicators that characterize the state and development of the system under analysis;
- 2) Simulation of various possible scenarios of socio-economic development of the system under analysis.

The econometric model described below was built to discover how Ukrainian GDP reacts to the changes in economical stability of the country regarding businesses in Ukraine, income and other macroeconomic factors that are connected to the development of business environment in the country. The correlation between the economic stability which includes healthy start-up environment and the GDP is important for a better understanding of how to influence the overall state of Ukrainian economy. Some other factors that have influence on the evolution of business environment in the country are discount rate and crediting. These factors have direct influence on the start-ups created in the country. Another index taken into the model is inflation because it has a specific influence on the production and the changes in GDP, which need to be examined closely.

The main hypothesis is that business environment and its development, which greatly impacts the start-ups and entrepreneurs in the country. Thus, the indexes that influence start-ups and have impact on the country's economy and its GDP have a strong correlation that can help understand the changes in Ukrainian economy better.

The regression equation for the model is the following:

$$\text{GDP} = 6.413772 * \text{AVG\_INCOME} + 2640.229 * \text{CPI} + 0.049737 * \text{CREDITS} - 782.9034 * \text{DISCOUNT\_RATE} - 274393.4$$

Dependent Variable: GDP\_PER\_CAPITA  
 Method: Least Squares  
 Date: 06/19/22 Time: 19:21  
 Sample: 2018M09 2021M12  
 Included observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AVG_INCOME	6.413772	1.306172	4.910358	0.0000
CPI	2640.229	2715.339	0.972339	0.3376
CREDITS	0.049737	0.057751	0.861234	0.3950
DISCOUNT_RATE	-782.9034	559.9196	-1.398243	0.1708
C	-274393.4	255304.3	-1.074770	0.2898
R-squared	0.731375	Mean dependent var		106677.7
Adjusted R-squared	0.700675	S.D. dependent var		17516.35
S.E. of regression	9583.309	Akaike info criterion		21.28990
Sum squared resid	3.21E+09	Schwarz criterion		21.50101
Log likelihood	-420.7980	Hannan-Quinn criter.		21.36623
F-statistic	23.82325	Durbin-Watson stat		1.107811
Prob(F-statistic)	0.000000			

**Figure 3.1** General regression

The figure above provides information on how the general regression looks like. Here, R-squared is a coefficient of determination. Its value is 0.731375, which means that the model with chosen factors has a strong relation among them. In order for the model and the conclusions made from it to be relevant it is important for the variables to be connected enough for it to have a global impact on the area analyzed. Now that the model is known to be applicable, a few tests need to be conducted in order to make conclusions on the results.

Breusch-Godfrey Serial Correlation LM Test:				
F-statistic	2.274352	Prob. F(12,23)	0.0437	
Obs*R-squared	21.70691	Prob. Chi-Square(12)	0.0409	
Test Equation:				
Dependent Variable: RESID				
Method: Least Squares				
Date: 06/19/22 Time: 20:37				
Sample: 2018M09 2021M12				
Included observations: 40				
Presample missing value lagged residuals set to zero.				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
AVG_INCOME	2.150057	2.298266	0.935513	0.3592
CPI	2228.611	4454.444	0.500312	0.6216
CREDITS	-0.017545	0.069159	-0.253689	0.8020
DISCOUNT_RATE	589.2941	698.5475	0.843599	0.4076
C	-238411.5	413982.1	-0.575898	0.5703
RESID(-1)	0.355344	0.221272	1.605914	0.1219
RESID(-2)	0.143767	0.217313	0.661567	0.5148
RESID(-3)	0.038667	0.226979	0.170356	0.8662
RESID(-4)	-0.143016	0.218294	-0.655156	0.5189
RESID(-5)	-0.083080	0.293515	-0.283051	0.7797
RESID(-6)	0.014267	0.249172	0.057258	0.9548
RESID(-7)	0.062832	0.227502	0.276181	0.7849
RESID(-8)	-0.165347	0.259464	-0.637262	0.5302
RESID(-9)	0.175192	0.235661	0.743406	0.4648
RESID(-10)	-0.422831	0.237493	-1.780394	0.0882
RESID(-11)	-0.139421	0.313856	-0.444218	0.6610
RESID(-12)	0.810317	0.518221	1.563652	0.1316
R-squared	0.542673	Mean dependent var	5.26E-11	
Adjusted R-squared	0.224532	S.D. dependent var	9078.565	
S.E. of regression	7994.643	Akaike info criterion	21.10755	
Sum squared resid	1.47E+09	Schwarz criterion	21.82532	
Log likelihood	-405.1509	Hannan-Quinn criter.	21.36707	
F-statistic	1.705764	Durbin-Watson stat	2.026962	
Prob(F-statistic)	0.118132			

**Figure 3.2** Breusch–Godfrey test on autocorrelation

First of all, Breusch–Godfrey test is conducted in order to provide a check for autocorrelation in the model. The figure above shows the results received. The test results suggest that there is no autocorrelation among the factors which is a positive sign when evaluating the model and its conclusions.

## Heteroskedasticity Test: White

F-statistic	1.099507	Prob. F(13,26)	0.4014
Obs*R-squared	14.18944	Prob. Chi-Square(13)	0.3606
Scaled explained SS	8.194542	Prob. Chi-Square(13)	0.8307

Test Equation:

Dependent Variable: RESID^2

Method: Least Squares

Date: 06/15/22 Time: 18:53

Sample: 2018M09 2021M12

Included observations: 40

Collinear test regressors dropped from specification

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.07E+24	1.13E+25	-0.271349	0.7883
CPI^2	4.30E+20	1.34E+21	0.320174	0.7514
CPI*DISCOUNT_RATE	3.59E+20	2.53E+21	0.142052	0.8881
CPI*PRODUCTION_INDEX	-7.40E+20	1.12E+21	-0.660424	0.5148
CPI*UNEMPLOYMENT	-9.43E+18	1.27E+20	-0.074004	0.9416
DISCOUNT_RATE^2	-7.36E+20	7.25E+20	-1.014138	0.3199
DISCOUNT_RATE*PRODUCTION_IND...	-9.60E+18	2.17E+20	-0.044225	0.9651
DISCOUNT_RATE*UNEMPLOYMENT	-6.43E+18	4.83E+19	-0.132940	0.8953
DISCOUNT_RATE	-5.37E+21	1.97E+23	-0.027180	0.9785
PRODUCTION_INDEX^2	-1.32E+19	5.80E+19	-0.227764	0.8216
PRODUCTION_INDEX*UNEMPLOYMENT	3.14E+18	1.19E+19	0.264003	0.7939
PRODUCTION_INDEX	7.27E+22	1.06E+23	0.686177	0.4987
UNEMPLOYMENT^2	5.36E+17	1.36E+18	0.393310	0.6973
UNEMPLOYMENT	-8.97E+20	1.06E+22	-0.085050	0.9329
R-squared	0.354736	Mean dependent var	1.38E+22	
Adjusted R-squared	0.032104	S.D. dependent var	1.71E+22	
S.E. of regression	1.68E+22	Akaike info criterion	105.4626	
Sum squared resid	7.37E+45	Schwarz criterion	106.0538	
Log likelihood	-2095.253	Hannan-Quinn criter.	105.6764	
F-statistic	1.099507	Durbin-Watson stat	1.332277	
Prob(F-statistic)	0.401448			

**Figure 3.3** White test on heteroskedasticity

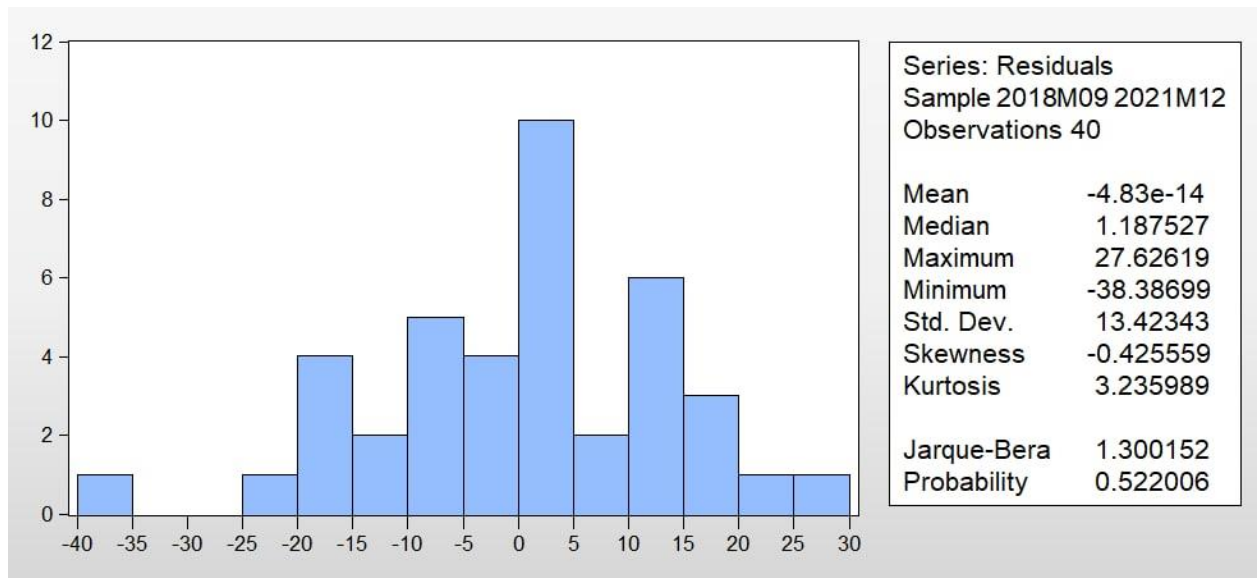
Now, White test is carried on in order to find out if heteroskedasticity is present. The figure above provides that the value of probability is 0.0170, which means that there is heteroscedasticity in the current model (Prob.  $F < 0.05$ ). Logarithmizing and taking the square roots didn't help solve the problem.

Correlation					
	AVG_INCOME	CPI	CREDITS	DISCOUNT_RATE	GDP_PER_CAPITA
AVG_INCOME	1.000000	-0.048296	-0.031513	-0.694305	0.834680
CPI	-0.048296	1.000000	0.393909	0.031520	0.099738
CREDITS	-0.031513	0.393909	1.000000	0.446430	0.024791
DISCOUNT_RATE	-0.694305	0.031520	0.446430	1.000000	-0.649325
GDP_PER_CAPITA	0.834680	0.099738	0.024791	-0.649325	1.000000

**Figure 3.4** Multicollinearity test



The next step is finding out if the model has a problem of multicollinearity. To analyze the absence of multicollinearity of independent variables, a correlation matrix of pairwise dependences of all variables has to be constructed. There is no strong direct or inverse relationship between the independent variables, so there is no problem of multicollinearity.



**Figure 3.5** Jarque-Bera test for normality of residual distribution

The last test conducted is the Jarque-Bera test for normality of residual distribution. Normality of the residuals is an assumption of running a linear model. If the residuals are normal, it means that the assumption is valid and model inference (confidence intervals, model predictions) should also be valid.

In this case, the Probability = 52.2%, which means that residuals are distributed normally.

Due to the tests made, it can be concluded that macroeconomic indexes have a strong impact on the business environment and, therefore, country's production capacity.

$$\text{GDP} = 6.413772 * \text{AVG\_INCOME} + 2640.229 * \text{CPI} + 0.049737 * \text{CREDITS} - 782.9034 * \text{DISCOUNT RATE} - 274393.4$$

- 1) As expected, average income has a correlation with GDP. It's growth by 1% raises the GDP by 6.413772 points. Healthy business environment is important to the economy to be strong enough to influence average income of the citizens and improve it.
- 2) A correlation between inflation and GDP is not so obvious. Inflation changes the balance between savings and consumption, distorts the calculation of profits by entrepreneurs. The greatest distortion of information on profits by inflation will occur in enterprises on capital acquired before inflation. Inflation-distorted profits misshape the distribution of resources in the market and lead to increased investment in production with a higher capital-to-product ratio, reducing investment in other production. This way the GDP becomes bigger but less healthy. The change of inflation by 1% causes GDP to move up by 2640.229 points.
- 3) As mentioned, crediting given to the entrepreneurs are vital for new businesses to appear. Thus, it also has an impact on the GDP. It's not that big, but it presents the importance of clear and effective crediting for the development of the economy. The 1 % change causes GDP to grow by 0.049737 points.
- 4) Discount rate, as one of the key instruments of regulating monetary policy and creating comfortable conditions for businesses to develop, impacts GDP. It's change by 1 % evokes the drop in GDP by 782.9034 points. This happens because discount rate shapes the conditions in which entrepreneurs maintain their businesses. Crediting is a key factor for a start-up to become more than just an idea.

In order to keep business environment healthy and attractive for the investors, the government needs to use its instruments to balance the resources and develop its GDP. For a country like Ukraine, it is essential to build strong international ties in business which will boost its indexes even more. Thus, the strong correlation between those factors shouldn't be underestimated when decisions are made on the

topics regarding further macroeconomic strategy of the country for the next 10-20 year.

### 3.2 International experience in stimulating business development

In world practice, the system of state support for business began to take shape at the beginning of the last century (1929-1938). During this period, indirect tools were created to support entrepreneurship in different countries.

A special state infrastructure to support small and medium enterprises and special government agencies responsible for business development were formed in the second half of the twentieth century in the developed world (USA, Japan, Western Europe).

**Table 3.1** Specialized bodies for the development of small and medium enterprises in foreign countries

Country	Specialized body
USA	Administration of small and medium business
Great Britain	National Agency for Small Business Services (SBS)
Germany	Directorate-General for Small and Medium-sized Enterprises, Crafts, Services and the Liberal Professions (DGVIII)
Japan	Reorganized Ministry of Economy, Trade and Industry (METI)

*Source: created by author based on data [23]*



Specialized bodies for the development of small and medium enterprises in the countries are presented in table 3.1. In world practice, state and municipal authorities provide assistance to business development, as this assistance is a kind of form designed to compensate for the vulnerability and the natural limitations of small and medium-sized businesses [23]. The experience of developed countries shows that state support can be provided through a specially created specialized body that has sufficient resources and powers.

The functions of all these departments are pretty much similar, the differences are in the hierarchy, subordination and principles of interaction with other departments.

The activities of these public administration bodies are aimed at implementing the following functions [32]:

1. Development of a strategy for the development of entrepreneurial activity in cooperation with the general socio-economic development of the country. Comprehensive long-term measures must be taken to provide small and medium-sized businesses with ample opportunities to develop and gain a competitive advantage.
2. Improving the regulatory framework, adjusting federal and regional legislation and regulations, bringing them in line with the requirements of the developing economy [32] .
3. Minimization of administrative and control functions of the state, all possible encouragement of entrepreneurial activity, implementation of security of entrepreneurs and their property.
4. Providing financial and material support, leasing state property and providing the opportunity to purchase it on preferential terms, creating simplified access to government procurement.
5. Creating the infrastructure to support small business, development of a system of highly specialized consulting services, improving training and retraining of entrepreneurs [32].

Currently, there is a stable system of state support for small and medium-sized businesses at the national, regional, local levels, as well as a strong emphasis on start-up entrepreneurs in developed countries. Practically in all countries the infrastructure of business support is created, the normative-legal legislation which is rather dynamically changing and the state programs of support of small and medium business operate. Types of state support provided to the businesses are presented in the table 3.2.

**Table 3.2** Types of state support in developed countries

Kind of support	Meaning
Financial	Carried out in the form of direct loans, equity participation in loans from commercial banks, loan guarantees.
Legal	Assistance during registration
Accounting	Maintaining accounting books, compiling financial statements
Administrative and economic	Lease of premises on favorable terms, provision of technical equipment
Organizational and financial	Development of business plans, search for investors
Technical	Provision and payment of consulting and design services
Educational	Training and retraining in specialized centers and workplaces
Marketing	Promotion of business facilities
Tax	Privileges

*Source: created by author based on data [32]*

The United States has a system of direct assistance in the form of grants for the smallest businesses in need; in the initial stages of their formation and business development, which is quite an effective mechanism for information support of entrepreneurs, within the free information service network SBANet, which operates several information systems.

In the UK, according to the Federation of Small Business 99.3% of all private sector enterprises are small businesses, providing 47.8% of employment in the private sector and 33.2% of private sector turnover. Small and medium-sized enterprises employ 15.2 million people and have a total annual turnover of 1.6 trillion pounds. In the UK, the system of state support for small and medium enterprises has several directions.

The first direction is manifested in the creation of the necessary banking and investment conditions within the country, as well as the most favorable tax regime [27].

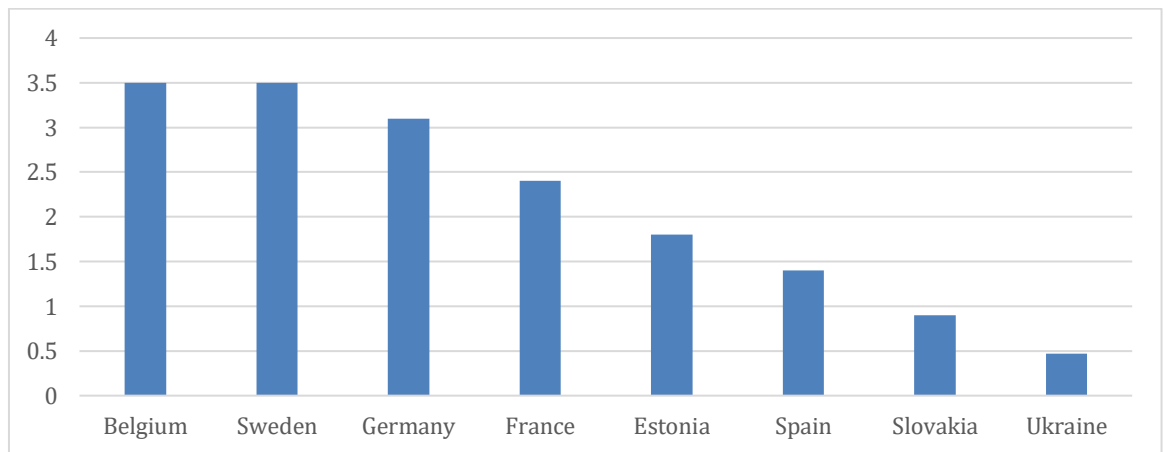
The labor direction of state support for small and medium-sized businesses arose in connection with rising unemployment. The following support measures have been taken in this area: a special service has been set up to help small businesses hire employees; reduced contributions to the National Insurance Fund by establishing labor benefits; to encourage the employment of young people aged 16 to 21, a grant of £ 1,500 was introduced for each of the top 10 employees of the relevant age; developed and introduced a single online system of mandatory payments (PAYE Online).

The innovation direction should help entrepreneurs gain access to expertise, equipment and funding to create, develop and implement new ideas and products. The state continues to invest in research through the Service for Technology and Strategies, which successfully issues Smartgrants [35] . An important task of the state is the protection of intellectual property. To achieve this goal, the legislation as part of the Intellectual Property Bill is updated and improved, the procedure for

appealing to the Intellectual Property Court is simplified, special events are held and online services are developed to help small and medium businesses in this area [35].

The international direction of state support is aimed at providing information and consulting assistance to small and medium-sized businesses wishing to export, to enter international markets. The Trade and Investment Service (UKTI) was established to provide such services [37].

Developed countries not only create comfortable conditions for business environment, but also spends money on supporting businesses, providing entrepreneurs with assist and funding research and development, A table below suggests how much countries spend on R&D in the percentage of GDP.



**Figure 3.6** R&D expenditure as % of GDP in 2021

*Source: created by author based on data [41]*

Ukraine doesn't spend a big amount of money on R&D which may cause some problems with creating an entrepreneurship-friendly environment. R&D is important for businesses because it gives them an opportunity to develop new products and services to allow it to survive in competitive markets. Besides, it also supports businesses with powerful knowledge and insights, leads to improvements to existing processes where efficiency can be increased and costs reduced.

This leads to a situation where Ukraine can't keep up with the pace at which developed countries are making themselves more and more attractive for global start-ups and franchises.

In Germany, the official government, non-profit organizations and chambers of commerce are very active and, most importantly, effectively support the development of small and medium-sized businesses. In Germany, small business is one of the most active sectors of the economy, developing steadily. Its total contribution is close to almost half of GDP. SMEs play a very important role in providing employment in Germany. Almost 60% of the employed population works in the SME sector. More than 99% of registered enterprises fall into the SME category. The SME sector in Germany includes companies with up to 250 employees and an annual turnover of up to € 50 million.

Unlike other developed countries, Germany has a very developed export-oriented small business. For example, small businesses with an annual turnover of 10 to 50 million euros are actively represented in more than 20 world markets. About 1,500 small businesses have become world leaders in exporting. Presence in several international markets ensures the stability of German small business [37]. Despite the popular belief, the German economy is supported rather by the small businesses than the market giants. Understanding the importance of the SME segment, government and non-government structures provide effective support to this sector.

Cheaper business lending can be called an important factor in the high activity and efficiency of SMEs in Germany. This is partly a consequence of support from the state and beyond. Effective interest rates on small loans for SMEs in Germany start at 4-4.5% per annum.

A powerful technical and economic breakthrough in the postwar years brought Japan to the top three most developed countries in the world. This was achieved through the development of small businesses with strong government support. Small business accounts for a significant share of Japan's total industry (about 40%). However, it should be noted that small businesses in Japan are more represented in the following areas: construction, light industry, and services. Science-intensive production is conducted mainly by large companies. This is the main task of Japan's economic development - to stimulate innovative high-tech development [21].

The legal acts adopted for small businesses in Japan determine the status of benefits and benefits for small businesses. Privileges include special taxation depending on the type of activity of the enterprise. Many of the bills are aimed at regulating Japan's antitrust laws.

Japanese law strictly regulates and limits the level of increase / decrease in market value of products. Businesses and entrepreneurs may lose the right to conduct their activities for unreasonable discounts or too high prices. And these conditions are valid for all enterprises without exception. Thanks to developed market mechanisms, the Japanese government is quite successful in curbing unjustified price changes and inflation.

Thus, given the equality of initial conditions and opportunities, Japan has created good conditions for the development of small business [37] .

In order to provide mechanisms for lending to small businesses and providing loans, the state has provided for the establishment of the Small and Medium Business Insurance Corporation, as well as a credit guarantee association.

The promotion of small businesses in Japan is happening at all levels, from the central government to independent unions and associations of small businesses. The central government and local governments subsidize at all stages of the life cycle of small businesses that are directly involved in the creation of knowledge-intensive and high-tech production [37]. For such enterprises, the state provides loans, provides lending to small businesses through the provision of guarantees and other types of credit guarantees.

These examples suggest that a country should choose the most efficient field and develop it in the way that start-up can keep it up technologically and be able of developing new directions. In the modern world, it is necessary to develop and promote the development of support infrastructure, as it is multifaceted support in one place. World practice proves the need to improve the state mechanism of support for small and medium-sized businesses [37].

### **3.3 Future opportunities for the development of the corporate environment in Ukraine**

Corporate culture is a field of management associated with the development of integrated management processes, which can significantly increase productivity, minimize staff turnover when competition is intensifying, and get the maximum profit [1]. In his judgments, N. Y. Pitel reveals the role of corporate culture as a factor in the competitiveness of the enterprise and defines the company's corporate culture as a system of values, beliefs, traditions and norms of behavior understood, perceived and supported by all members of the team. the only recognized standards of behavior and thinking [27].

Thus, corporate culture affects the efficiency of the enterprise and increases labor potential, which leads to an increase in staff competencies and increases the company's profits. Also, corporate culture can be defined as a tool in the field of management that allows management of staff, increasing the competitiveness of the organization, the degree of confidence in corporate rights, protecting owners, improving product quality and meeting customer requirements. In fact, corporate culture is the rules of doing business in both national and international environments, making management decisions, delegating authority, organizing the communication process, improving quality, creating a social climate, etc. [27].

Numerous studies show that successful companies worldwide are characterized by a high level of corporate culture, which is formed as a result of efforts to develop the spirit of the corporation for the benefit of all stakeholders. No wonder the core values and destinations of such giants as Hewlett Packard, Procter and Gamble, Sony, Motorola, remain unchanged when business strategy and practice are constantly adapting to a changing world.

The research of Terrence E. Deal and Allan A. Kennedy suggests that high-performance companies direct their activities based on certain values and beliefs [5]. They are usually expressed in mottos, which describe the purpose, the main reason for the existence and priorities of the company. Among the main mottos of some well-known companies in the world are: "IBM" - "IBM" means "service", "Nike" -

"Feel the spirit of competition, win and defeat competitors"; "Hewlett Packard" - "Make a technical contribution to the development and well-being of society"; "Walt Disney" - "Make people happy"; "General Electric" - "Our most important product is progress", "MR" - "Solve problems that have no solutions, innovative" [35].

Corporate culture of enterprises is also characterized by mutual coherence of individual elements of culture in the level of their development, direction, ideology, goals, objectives, and ways to achieve them. It is constantly evolving, the relationship between internal and external environments is based on understanding their systemic nature and uniqueness, so the company makes every effort to obtain the most complete information about business partners and employees in order to understand them better [35].

It is worth noting that corporate culture is characterized by rapid change. All this leads to the fact that the formation of corporate culture has a clear focus on the future. In the time when companies are forced to survive in an unstable economic and political situation, the company's success is based on the responsibility and determination of employees, who are often forced to work in conditions of instability and uncertainty. In such cases, the corporate culture of the enterprise becomes the basis for collectivism and team spirit, which allows employees to show creativity and initiative [7]. That is why companies pay the most attention to the creation and development of corporate culture in the process of strategic management and strategic planning [7]. Among the factors that characterize the corporate culture of the enterprise the following should be noted:

**Table 3.3** Factors that characterize corporate culture

Factor	Characteristics of the factor
Principles and values	Status of the enterprise, own charter, promotion
Confidence	In the company, in management, faith in success, faith in their own forces, team support
Communications	Culture of communication and convenience of information exchange
Responsibility	Division of labor, the ability to prioritize and calculate time, the quality of tasks



Tolerance	Relationships between different categories of workers, conflict resolution
Development	Training, advanced training
Image	Appearance, business style, ideas about the employee, behavior

*Source: created by author based on data [29]*

Today, the corporate culture of the enterprise plays an increasing role in the management of the enterprise, as it is a factor of its competitiveness, a factor of success, the key to effective activity, and sometimes the basis of survival.

Thus, the creation of a competitive organization with individuality and common values is possible only as a result of consistent formation and implementation of a system of views, which is part of the personal internal culture of the company's staff [19]. The culture of the organization must meet the challenges of the external environment and corporate strategy, so that employees can create an organization that is difficult to overcome in the competition. The competitive advantages of the organization are connected not only with the already accumulated baggage of knowledge, but with its ability to create and update it. At the same time, competence acts as an instrument of economic benefit that the organization receives. Increasing the competence of staff means increasing the profitability of the organization and its competitive advantage [3].

Describing the processes of building corporate culture in Ukraine, we can rely only on certain sample studies based on the analysis of the results of sociological research on the development of corporate culture, namely:

- 55% of modern Ukrainian leaders believe that ideally corporate culture should be in the company.
- 40% try to formulate it with the help of Western technologies.
- 35% acknowledge the need for it, but they do not have the time or resources to do so.
- only 25% consider it unnecessary [4].

To sum up, it should be noted that the management of enterprises should pay special attention to personnel management and corporate culture, because it allows to mobilize the initiative of employees, increase their personal motivation, create a competitive team capable of starting a business. It is the corporate culture that creates the appearance of the company, shapes its image, determines the nature of relationships with customers and partners [5].

Therefore, in order to form a positive corporate culture, which in the future will increase competitiveness in foreign markets, it is necessary to create certain economic, socio-cultural and organizational prerequisites. It is necessary to constantly pay enough attention to the formation of a positive reputation and attractive image of the enterprise, to ensure decent working conditions, social security of staff, and the conditions of its development. It is also important to evaluate the external and internal subjective attributes of corporate culture in order to develop effective management decisions to ensure their long-term competitive advantage and efficiency of foreign economic activity [6]. The company's management needs to invest resources in improving corporate culture and mechanisms for its reproduction, as well as create the necessary conditions to preserve the company's staff, because the stronger the corporate culture is, the stronger the company is.

The formation of corporate culture of enterprises should also take into account the national character, social consciousness, psychology, which always have a significant impact on the economic environment and economic culture. The development of national character depends on the state of development of society, state, law, economic culture, and the ability of one to exercise their rights and freedoms. Thus, the national character is rather a form of self-awareness of the people and not just a set of psychological phenomena.

### **Section 3 conclusions**

Improving the efficiency of economy, its economic growth is aimed at better satisfaction of material and spiritual needs population that is constantly growing.

The key to building a competitive economy is the rational use of available limited economic resources and the creation of a favorable business environment.

Creating a comfortable environment for development and doing business in Ukraine is a necessary condition for the country to achieve higher level of economic development and integration into the EU common market. Clear and transparent rules of the market, honest and predictable behavior of regulatory authorities, the absence of regulatory barriers is vital for the full development of entrepreneurship in the country and attract investment. As mentioned above, a very important part of developing a country's economy are foreign investments, which includes long-term material investments funds by non-resident companies in the economy of the country, which allow to implement large projects and ensure the entry into the country of new technologies, new corporate governance practices.

Thus, the business environment is, first of all, an indicator development of the country's economy. Also, it influences the businesses and may be both a positive or negative factor operation of the enterprise. The modern business environment in Ukraine is gradually improving, even though there is a number factors that slow this process down. Among them is an unfavorable macroeconomic situation, unstable legislation and, what is most relevant right now, a war going on in Ukraine.

## CONCLUSIONS

Properties of modern business are its systemic nature, the presence of special systemic qualities in entrepreneurship, the natural evolution of business relations, as well as the compliance of various ways of entrepreneurship in countries with market-oriented economies and global business trends. "Business concept" is one of the main scientific categories in all modern business theory.

Concept is understood as a set of inextricably linked elements of a single whole. Elements of a business can take place only within this system - it is there that they are inextricably linked, forming a single whole. Some elements of the system cannot exist without other elements of this system, and vice versa. They are inseparable from each other.

The use of evaluation results makes it possible to develop measures to improve the business climate in Ukraine and to form strategies for enterprise development taking into account the peculiarities of the external environment. Analysis of the dynamics of international ratings of the business environment allows us to identify certain patterns, as well as problems in the current state of the economy. Low scores on individual indicators are explained by unresolved internal and external problems, which include conscious and unconscious actions of officials and businesses and instability of the macroeconomic environment. Prospects for further research are related to the development of measures to manage the activities of enterprises.

In order to ensure sustainable development enterprises in modern conditions need to direct material resources to improvement of corporate culture and mechanisms of its reproduction. As corporate culture is an internal source of stimulating economic growth, it is used by advanced foreign and domestic companies as a part of the innovation management, sustainable development, increasing foreign trade and competitiveness.

Today, corporate culture is one of the most important resources for the preservation and development of business entities. It is a powerful strategic tool that

orients all departments to achieve common goals, mobilizes people to fulfill the highest goals and missions of the organization, stimulates self-awareness and responsibility of everyone, and unites organizations and people.

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