

ENTREPRENEURSHIP (SMALL BUSINESS MANAGEMENT) IN COMPETITIVE ECONOMY OF UKRAINE

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Abstract

This article is devoted to consideration of essence, features of functioning and development of small business in Ukraine. Theoretical positions of the concept of entrepreneurship are found out, the condition of development of small business is analyzed, the problems stirring to development of small business in Ukraine are defined. The complex of measures on increase of efficiency of functioning and development of small business in Ukraine is offered.

I. Statement of the problem

For today formation of the effective, competitive, socially-focused economy makes a strategic rate of a state policy where an especial place borrows small business. Despite of enough of the researches, devoted to a phenomenon of entrepreneurship, today it is impossible while to tell that there is a full and finished theory of entrepreneurship. As its object in which dynamic creative processes are carried out, is in a condition of constant change, generating all new concrete circumstances for scientific research. In development of small business many countries see a unique way of realization of advantages of market economy. Small enterprises promote creation of new workplaces, introduction of the new goods and services, satisfaction of needs of the large enterprises etc. They have a number of advantages, among which:

- > flexibility and mobility;
- > operative reaction to inquiries of the market;
- > fast adaptation to an environment;
- > especial creative type of economic activities;
- > enterprise and the initiative;
- > association in one person of the proprietor and the manager;
- > interchangeability of workers;
- > high speed and simplicity of communication processes;
- > convenience and profitability in management etc.

However, process of becoming and development of small business in a number of the countries, and in Ukraine, including, is accompanied by a number of problems and significant difficulties. In this connection small business is enough a complex and risky field of activity. By virtue of circumstances, small enterprises are more doomed to "death rate", than the large companies. So, if from again organized small enterprises in the first year of existence disappears about 50 % in sphere of large business this parameter makes only 37 %. Thus, in modern conditions questions are actual: creations of favorable conditions of functioning of small business; maintenance of a high degree of competitiveness and economic safety at all stages of its development.

II. The analysis of last researches and publications

For last years the attitude to entrepreneurship in Ukraine has changed in the best party. Corresponding laws are passed, procedures of registration of business become simpler, the quantity of checks is reduced, the simplified system of the taxation for subjects of small business is entered. All it promoted growth of quantity of subjects of enterprise activity. As marks Bazyljuk A.V., the author of clause "Financial levers of development of small business in Ukraine", ["Actual problems of economy ", 2002, # 8, p. 18]: "from the beginning of market reforms entrepreneurs have passed a way from excessive expectations up to full disappointment and new hopes for an opportunity normally to work in conditions of Ukraine".

In the economic literature various measures of practical state influence on economy by means of enterprise structures are described enough. The significant contribution to research of the given problem was brought by such scientists as Akoff R., Robson M., Albrecht W., Hisrich R., Peters M. and others.

So, studying possible dependences between the various parties of a state policy, the American economists aspired to find ways of an output from stagnation of manufacture, characteristic for the hardest economic crisis of 70th years [Albrecht W. "Ray of light on the dark parties of business", 2000]. They have paid attention to entrepreneurs, their aspiration to growth and innovation. As the major means of stimulation of entrepreneurship at all times was the tax policy of the state, it and was offered for changing essentially by decrease in rates of taxes. It was supposed, that at smaller rates of taxes volumes of manufacture will increase. Thus, the budget will replenish with greater incomes, even at smaller rates of taxes that will provide an output of all economy from stagnation. The created project of tax reform has been most precisely realized in the first four year R. Reagan's presidencies when the maximum rate of surtax has been lowered from 70% to 50% therefore rates of the tax became less progressive. Besides the taxation of gifts, the real estate, accumulation and investments has been reduced. The enterprise initiative managed to be supported. And the American economy, and as a whole the world economy of 80th years have overcome stagnation, having raised attention to a competition, the initiative, enterprise.

The international organizations try to expand sphere of small business, representing the significant financial help to small enterprises. In the developed countries small business captures a significant part of the population. For example, in the prospering, financial powerful Japan about 85% of able-bodied population it is borrowed in small business, and the others of 15% - in a large-lot production where almost 90% of a total national product are created. Analyzed experience allows revealing criteria of similar changes, objective laws of transition to new forms of regulation, to find acknowledgement of their expediency. For last years in Ukraine the increase in quantity of the registered enterprise structures is observed, but many of them are closed for the objective reasons.

The purposes of article - to consider essence, features of development of small business in Ukraine and to develop a complex of measures on increase of small business efficiency of functioning and development.

III. The statement of the basic material

Modern definition of entrepreneurship is diverse enough. Most the general is the understanding of entrepreneurship as specific factor of public reproduction (alongside with the capital, the ground and work) which provides necessary dynamics reproduction processes through creation of new, more effective combinations of industrial and marketing factors.

In narrower understanding, entrepreneurship is the system of managing based on brave, innovative activity which purpose is reception of the enterprise income, and mentioning or all process of reproduction, or its separate stages (manufacture, distribution, an exchange and consumption).

Existing scientific concepts characterize entrepreneurship as follows:

- 1) presence of a risk factor and uncertainty of an end result of activity;
- 2) efficient control and the organization of production with constant use of innovations;
- 3) innovative, creative behaviour of the managing subject, its enterprise, being in motive power of economic process.

Directly process of entrepreneurship can be divided into four, precisely expressed, logically interconnected stages:

- 1) search of new idea and its estimation;
- 2) drawing up 'business-plan';
- 3) search and purchase of new idea;
- 4) management of the created enterprise.

Thus, the entrepreneur is the one who is aimed at reception of profit over an average level by the fullest satisfaction of needs on the basis of realization of own knowledge, skills, forecasts, the one who aspires to make break in this or that sphere of economic activities - in creation of new production and technology, in manufacture or marketing and, accordingly, to receive the additional income for the risk and a prediction. It is strategically important to state to encourage realization of enterprise potential, to have the middle class

interested in development of a national economy.

Today in Ukraine the steady class of entrepreneurs is formed. Has passed a condition of confusion and separation: those who have remained in business have got used to severe conditions, have learned to survive. Modern businessmen are, as a rule, the intellectual managers have organized in the unions, formal and informal associations. The attitude of the population to this category has changed also: from hostile - in the beginning of reforms, up to entirely normal perception - now. Moreover, for the majority of the population entrepreneurship is a sphere of application of their work, paid workplaces. Thus, the understanding of all subjects of economy in necessity of development of entrepreneurship in Ukraine has affirmed.

In table 1 of data on small enterprises in the countries of the European Union ["Economy and the state", 2007, # 3, p.52] are cited. As given table 1 testify, Ukraine does not lag behind parameters of a Central European level. However in Ukraine small business prevails in sphere of trade, services.

Such one-sided not industrial activation of small business can lead to that the country will appear among those who makes a little, and sells much, and production of foreign manufacture. Therefore it is necessary to support and focus investment, including external, on industrial sphere, and also on revival of agriculture, traditional for Ukraine. Entrepreneurship as the special kind of economic activities, is that part to which functions of increase of a social and economic level of ability to live of the population by use of available resources for creation of a domestic product are assigned, realization of investment and innovative activity in a domestic production

Table 1

The condition of small business' development in the countries of the European Union

Country	Quantity of subjects (SME), thousand			Quantity of the population millions	Quantity SME on 1000 population
	Micro and small	Average	SME (as a whole)		
Austria	221	5	226	8,1	28
Belgium	538	3	541	10,4	52
Britain	3459	25	3484	59,3	59
Germany	3490	45	3535	82,2	43
Spain	2679	16	2695	40,7	66
Italy	4106	16	4122	57,3	72
Portugal	676	6	682	10,4	66
France	2460	24	2484	59,6	42
Sweden	266	4	270	8,9	30
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Comparing branch structure of small business of Ukraine and the USA, it is necessary to note, that in Ukraine absolutely small relative density of small business which functions in sphere of consumer services (5 %) while in the USA the share in this kind of activity is essential - 30 %. By means of small business in this sphere solve problems of social character: granting to the population of the additional services providing comfort of conditions of residing; creation of workplaces for people of narrow specialization or low qualification.

In Ukraine small enterprises of an industrial structure should receive the further development. If in the USA of manufacture of 8 % in machine-building and a mining industry belongs to small enterprises, in Ukraine activity of machine-building branch is supported by exclusively large and especially large enterprises.

Experience of functioning of small enterprises testifies that their economic life cycle is short and averages 3-5 years. For example, in the USA of the enterprises of 65 % with the personnel up to 20 people disappears in first four years of existence, and each fourth firm - will melt the bankrupt in the first year of activity. In Ukraine, according to the lead researches, in the first year of functioning have chances to survive less than 75% of again created small enterprises. In ten years it remains no more than 5% in the market.

Today small business in Ukraine still has not reached settlement "critical weight" of small enterprises which is on a global scale certain at a level of 12-15 enterprises on 1000 population. In Ukraine this parameter makes 5-6 small enterprises on 1000 person that confirms the fact of existence of barriers and threats to its functioning.

According to an estimation of heads of small enterprises, among the problems, stirring to development of small business in Ukraine, allocate:

- > high taxes,
- > a plenty of taxes,
- > frequent changes of the legislation, excessive state intervention.
- > absence of tax privileges for enterprises really requiring it,
- > difficulties with privatization,
- > imperfection of a competition,
- > complexity of reception of credits,
- > pressure from local authorities,
- > a plenty of checks by bodies of the government

In Ukraine last years the tendency to increase of rates of growth of quantity of operating small enterprises, but, simultaneously, decrease in it financial efficiency is observed occurs. Obviously, it's connected by that an available potential is settled, also additional efforts for development of organizational-legal base which adjusts activity of small enterprises, improvement of the tax account, support from the state, optimization of the taxation, elimination of corruption in authorities that will provide additional opportunities for economically active population to realization of the enterprise potential are required.

The modern policy of the state in sphere of the taxation under conditions of reforming of economy and need for expansion of enterprise activity should go on minimization of tax pressure, decrease or a canceling of some kinds of taxes, objectively, that, demanding from payers of voluntary payment of taxes. However, in the current legislation of Ukraine there are no certain norms or rules which precisely spent border between lawful reduction of the sum of taxes (tax optimization) and evasion from payment of taxes.

For example, in the USA and other developed countries there are official schemes of wrongful schemes on a deviation from payment of taxes which are not considered in the domestic legislation. The key task of tax reform at a stage of development of enterprise activity is the establishment of an optimum - the proved rates of separate kinds of nation-wide taxes, and also an establishment of individual speed of decrease in these rates under condition of voluntary and full payment of taxes that is the indicator of civilization of enterprise activity in Ukraine. So. in

comparison with 2005, rates of decrease in a tax duty for Ukraine in 2006 made 19, 11 items, and rates of a gain of tax revenues made 30,6 items.

As a whole for Ukraine the sum of a tax duty on 1.07.2007 made 6314,4 mln.hrn, it is less on 19,1 mln.hrn, than on the beginning in 2007. It is necessary to note, that rate of a gain, of industrial production for Ukraine has made 11,8 items, and an agriculture - 6,3 items. Hence, there is a tendency to increase in tax revenues on the rates advancing rates of growth of industrial production and agriculture. In table 2 it is resulted model of optimization of the basic nation-wide taxes.

Realization of decrease in tax weight, in turn, demands civilization of attitudes between the state and enterprise structures: diligent payment of taxes from payers as there is a threat of default of the planned budgetary payments, especially in a context of realization of social programs of all levels. Efficient control small business depends on external conditions which influence prevails of internal factors because of features of business, namely: restriction of functioning by conditions of the local market, and, as consequence, dependence on an environment.

Table 2

Optimization parameters of the basic nation-wide taxes of Ukraine in system of formation of the civilized enterprise environment

Name of the tax	Current rate, %	Optimum value of the rate, %	Period of decrease in the rate, years	Average step of decrease in the rate for a year, %
<i>Tax from profit of the enterprises</i>	25,0	10,0	5	3,0
<i>Value-added tax</i>	20,0	12,0	6	1,67
<i>Tax from individual incomes</i>	15,0	12,0	3	1,0
<i>Uniform social contribution</i>	37,0	25,0	7	2,0

Among necessary actions of the state on management of business in Ukraine, 150 interrogated heads of small business have allocated (in decreasing order ranks):

- preferential crediting - 73.4%;
- leasing of the equipment - 30.6%;
- the organization of fairs of let out production - 23.4%;
- granting of the information - 22.7%;
- creation of funds of mutual guarantees - 20.7%;

creation of communities which specialize on selling of production of small enterprises -18.7%;

- consultation concerning drawing up of investment projects and business-plans - 8.4%.

Thus ranks of forms of support by the state practically coincide with ranks of problems of enterprise activity. Thus, it is possible to draw a conclusion that the essential part of the decision of problems of business depends on authorities. At the same time, the weak spot in small business should be named and deficiency of administrative knowledge. Becoming of business is at times carried out by the "not civilized" ways and methods, and new conditions of a competition dictate new knowledge.

It the desire of 150 interrogated heads of small business to pass courses of improvement of qualification personally, and also together with the administrative personnel speaks. From the offered subjects by them it has been chosen;

the financial right and the accounting account - 48 person;

economy and the organization of manufacture, business strategy - 47 person;

psychology of management of the personnel - 30 person;

acceptance of administrative decisions - 15 person;

principles of the entrepreneur's occupation - 10 person

Though training and rendering of information services were not included into number of offered forms of the state support, these forms are significant for entrepreneurs. During too time, to actions of state regulation of business respondents have carried (in decreasing order ranks):

creation of concessionary terms of use by subjects of enterprise activity of the state, financial, material development and technologies;

an establishment of the simplified order of registration of small business' subjects;

licensing of activity;

- certification of production;
- granting of the statistical and accounting reporting;

- formation of an infrastructure of support and development of enterprise activity; assistance to development of trading, scientific and technical, industrial, information communications with the foreign organizations of preparation, retraining and improvement of professional skill of the staff for enterprise activity.

For optimization and increase of efficiency of small business it is necessary to develop and realize the complex program. Considering experience of other countries, the success of development of enterprise activity can be reached as a result of complex interaction of following factors:

an active role of the state in support of activity of enterprise services in those spheres which provide employment of the population, solve sharp social problems of development of a society, provide competitiveness of a domestic production in the international markets;

creations of a network of the research and educational centers and schools which study and generalize results of functioning of enterprise structures in different spheres of economy, prove a policy of the state concerning development of entrepreneurship, strategy and mechanisms of its realization, educational services and consultations render entrepreneurs;

- formations of positive opinion in a society about progressiveness of entrepreneurship as forms of managing which provides employment and well-being of the basic part of the population, is prestigious and can provide reasonable ambitions and needs of entrepreneurs by creative and effective work.

IV. Conclusions

Thus, estimating position of small business in Ukraine, it is possible to ascertain positive tendencies which were outlined in its development. However crisis in this sector of economy still has not occurred. One of the reasons is the passive state policy, weak resource support. One of weak spots in small business is also deficiency of administrative knowledge, therefore becoming of business is carried out by at times not civilized ways and methods. It is one of prime problems who is necessary for solving in Ukraine for effective functioning and development of small business.