

# Organizational and Economic Approaches to Entrepreneurship Development at the Regional Level in Ukraine

**Serhii Anatoliyovych Harkusha**

Sumy National Agrarian University, Sumy, Ukraine  
[sagarkusha@gmail.com](mailto:sagarkusha@gmail.com)

**Anatoliy Ivanovych Hlushachenko**

Sumy National Agrarian University, Sumy, Ukraine  
[glushachenko1966@gmail.com](mailto:glushachenko1966@gmail.com)

**Olena Oleksandrivna Dovzhyk**

Sumy National Agrarian University, Sumy, Ukraine  
[lgamanenko@ukr.net](mailto:lgamanenko@ukr.net)

## Suggested Citation:

Harkusha, S.A., Hlushachenko, A.I., Dovzhyk, O.O. (2018). Organizational and Economic Approaches to Entrepreneurship Development at the Regional Level in Ukraine, *Journal of Advanced Research in Law and Economics*, Volume VIII, Spring, 1(23): 105 – 113. DOI: [10.14505/jarle.v8.1\(23\).01](https://doi.org/10.14505/jarle.v8.1(23).01). Available from: <http://journals.aserspublishing.eu/jarle/index>

## Article's History:

Received January, 2017; Revised February, 2017; Published March, 2018.  
Copyright © 2018, by ASERS® Publishing. All rights reserved.

## Abstract:

This article describes the process of business activity organization on the regional level and possible influence that external factors cause on it. It is stated that in the years 2010-2016 the number of economic entities in Ukraine has slightly decreased. It is concluded that the share of all the types of enterprises is similar in Ukraine comparing with the EU averages, although there is a significant deviation in the indices of businesses by 10 thousand population which in Ukraine are less than the average for EU countries. In the process of researching the state of development of business activity and the problems of SME development are being indicated. The problems include the following: lack of business support programs at the national level; inconsistency of bank lending to the requirements of business (high interest rates); insufficient infrastructure to support business; unsatisfactory state of vocational training; lack of seed capital for business creation; lack of working capital for business development.

It's concluded that the business model of any business activity plays the role of a template in the process of creation and operation of business in the certain circumstances. It also is an important step in the strategic planning, which includes an overview of future business that in turn affects the evaluation of the main keys of success of the enterprise and determines its growth. The model of business creation is relatively based on resource approach, which is concentrated on the resources and capabilities of the enterprise and is the most important for determining strategic actions. In the perfect circumstances the resources for business activity are meant to become the part of the process of business creation and development. They may be helpful not only as route map of the project implementing but also as its main part. The issue of developing the set of measures that provide the specific tasks of development and activity of small and medium enterprises at the regional level that will ensure efficient use of any information and implementation of scientific approach in business was further developed. The measures mentioned include: implementing the support of entrepreneurship; microcredit funding of the SMEs; increasing the number of small and medium-sized businesses in the production and others. The article also states that business is entirely dependent on the state system concept. The set of measures that provide specific tasks of development and activity of small and medium enterprises (stimulation of entrepreneurship, attracting business in the IT sector, the promotion of export-oriented businesses) should not only solve the economic problems of the country and the region but social issues as well: providing more working places and supporting the small business in the regions. The research and conclusions gained in this article may be used as the theoretical and practical material for government in order to support the SMEs and for entrepreneurs who intend to start their own business.

**Keywords:** entrepreneurship, business, business entity, business activity, resources, SMEs, innovation process.

**JEL Classification:** E65; M29; O29.

## Introduction

Entrepreneurship development significantly impacts on the socio-economic situation of any community. In order to start their own business future entrepreneurs must consider various factors which influence its development. Entrepreneurship is an activity of the subject that somehow causes some economic risks. The government makes a significant impact on the organization and activities of entrepreneurs within the stimulation and regulation processes. Entrepreneurship is also largely dependent on governments at the local level and the relevant economic status of specific single region of the state. But the main factor that affects the business organization is the availability of

resources. Given the role that they play in deciding on starting a business, there is a need for providing an effective system of business organization and development incentives by the local governments.

## 1. Literature Review

A number of scientific papers of domestic and foreign scientists and researchers, including A. Melnyk (2016), V.I. Lyashenko (2015), N. E. Strelbitska (2016), E. M. Zabarna (2016), O.V. Serhiyko (2015) and others are devoted to the investigation of the problems of entrepreneurship organization at the regional level. These groundbreaking scientific developments, which summarize the positive experience of organizing and developing entrepreneurship, serve as a benchmark for studying this problem, but some aspects remain insufficiently researched yet.

Researching the various sources of studies shows that the business organization at regional level is well studied in the context of relation to the EU countries and in the context of problems of Ukrainian legislation. According to Melnyk business development at the national and regional services markets should be seen as generating engine of the model transformation of the national economy. This is affected by a number of exogenous and endogenous factors. The current business environment makes both positive and negative trends. In order to strengthen the positive trend of business development it is important to improve the environment of its origin and functioning, especially improving the current regulatory policy in the sphere of economic activity, increasing labor costs, and accordingly, incomes of citizens. The complex of the actions mentioned above would have approached Ukraine to EU countries, made it possible to provide changing consumption patterns and thus increase the demand for services, and would have contributed to the implementation of savings to start a business (Melnyk 2016).

In the context of the European experience N. Strelbitska and T. Redko point to the important role of small and medium enterprises in the social and economic development of member states. SME functioning supports the region's economy during the crisis and ensures competitiveness through technological innovation, the authors note. The effective form of organization of innovative processes in the EU is creating business clusters as SME's joining the cluster provides them with access to finance and internationalization activities (Strelbitska and Red'ko 2016).

In turn, V. Lyashenko, Y. Tulku note that in circumstances where there is no legal and general scientific definition of objects of the support innovation, the performance of the developed programs of state support of Small Business Innovation is very complicated, and the effectiveness of such support is highly questionable (as it should be borne in mind when analyzing the status and trends in this sector) (Lyashenko and Tulku 2015).

Now the small business sector in Ukraine is still in its early stage of development and can be characterized by a high degree of inefficiency, said E. Zabarna. Ukrainian enterprises at the same time suffer from excessive taxes and a complex system of regulations. The scientist also points out that today there is a significant growth of small businesses in many areas: the introduction of new flexible technologies; expanding consumer demand, which departs from the standard mass-produced goods, and refers to products that have their own style and characteristics (Zabarna 2016).

O. Serhiiko has studied the importance of public administration in the field of entrepreneurship. In his opinion it is the targeted, purposeful, imperious, systematic activity of the executives to implement the control functions which finds expression in the relevant management system and is implemented through the use of special tools - forms and methods of management. The author says that along with the "narrow" understanding of public administration its "broad" understanding was formed. It is regarded as the powerful impact on social welfare system that can reveal the nature of power, its functionality and overbearing nature of management, its manifestation in purposeful activity of state bodies in order to ensure the social and economic development (Serhiiko 2015).

So, in order to understand what entrepreneurship at regional level is, it is necessary to know the social and economic conditions of its development. The state should support SMEs to develop its economy and so that the budget could regularly receive the proceeds.

The article aims at studying the measures needed for business organizing at the regional level and the allocation of specific tasks and activities of small and medium enterprises by the local governments.

## 2. Methodology

The theoretical and methodological basis of the studying is the provision of economic theory. The achievement of the goal is ensuring by using of the following methods: grouping and comparing performance; abstract logic; and statistical expertise and etc.

## 2. Results

The question of determining the place and role of small and medium business in modern society is relevant and should be considered in the context of the relationship between economic, social and political content as well as interference of the relevant elements of the social structure in specific circumstances. The viability of an enterprise can be measured by a set of different indicators, which in turn depend on a combination of various factors (prices

and demand for the company's products, raw material prices and the reliability of sources, the ability of financial and legal support in commercial and industrial activities, output, product quality, qualified personnel staffing of the company and so on.). The prospect of economic enterprise (market size for products, ability to attract the necessary funds, etc.) is also important. With the help of these indicators the criteria of economic viability can be obtained, namely profitability in the projected output and payback period of investment.

The stable economic and political situation in the country certainly affects the number of companies and their financial condition. Paying attention to these factors is of particular importance at the regional level, so giving the details on the exactly taken Sumy region in this study will attempt to analyze the structure of business in Ukraine and the European Union.

The financial support of small and medium-sized businesses in the Sumy region was carried out by allocating funds from the oblast budget, budgets of the cities and rayons of the region. In 2016 2 million UAH from the Oblast budget was spent on support of small and medium enterprises which is 100% of the planned number. Out of this sum 1.595 million UAH was provided for granting budget loans to business entities and 405 thousand UAH was spent on the financial support of the activity of the communal enterprise "Sumy Regional Fund for Entrepreneurship Support". However, due to the fact that the Sumy Regional Council did not approve the decision on the use of funds received for the development and support of small and medium-sized businesses, the communal enterprise "Sumy Regional Fund for Entrepreneurship Support" the money originally provided for the budget loans to business entities of the region were redistributed to other expenditures of the regional budget (<http://gue.sm.gov.ua/index.php/uk/42>).

Thus, the official website of the Department of Economic Development and Trade of Sumy Regional State Administration has indicated that there is some work carried out in relation to small and medium businesses in the region. Let's consider the structural performance of enterprises in the region based on their size (Table 1).

**Table 1.** Structural indicators of enterprises of Sumy region based on their size \*

| Indicator                | 2010                   |                                  | 2011                   |                                  | 2012                   |                                  | 2013                   |                                  | 2014                   |                                  | 2015                   |                                  | 2016                   |                                  |
|--------------------------|------------------------|----------------------------------|------------------------|----------------------------------|------------------------|----------------------------------|------------------------|----------------------------------|------------------------|----------------------------------|------------------------|----------------------------------|------------------------|----------------------------------|
|                          | Number of enterprises, | % re total number of enterprises | Number of enterprises, | % re total number of enterprises | Number of enterprises, | % re total number of enterprises | Number of enterprises, | % re total number of enterprises | Number of enterprises, | % re total number of enterprises | Number of enterprises, | % re total number of enterprises | Number of enterprises, | % re total number of enterprises |
| Total                    | 5380                   | 100,0                            | 5424                   | 100,0                            | 5432                   | 100,0                            | 5817                   | 100,0                            | 5819                   | 100,0                            | 5842                   | 100,0                            | 5287                   | 100,0                            |
| Large enterprises        | 5                      | 0,1                              | 8                      | 0,1                              | 9                      | 0,2                              | 8                      | 0,1                              | 7                      | 0,1                              | 6                      | 0,1                              | 6                      | 0,1                              |
| Medium-sized enterprises | 431                    | 8,0                              | 410                    | 7,6                              | 398                    | 7,3                              | 383                    | 6,6                              | 367                    | 6,3                              | 357                    | 6,1                              | 366                    | 6,9                              |
| Medium-sized enterprises | 4944                   | 91,9                             | 5006                   | 92,3                             | 5025                   | 92,5                             | 5426                   | 93,3                             | 5445                   | 93,6                             | 5479                   | 93,8                             | 4915                   | 93,0                             |
| Small enterprises        | 5380                   | 100,0                            | 5424                   | 100,0                            | 5432                   | 100,0                            | 5817                   | 100,0                            | 5819                   | 100,0                            | 5842                   | 100,0                            | 5287                   | 100,0                            |

\* **Source:** Performance statistics for structural entities with distribution for their size. State Statistics Service of Ukraine (<http://www.ukrstat.gov.ua>)

Analyzing statistics, it is expedient to note that in the Sumy region there is a general tendency of reduction of number of economic entities in the period from 2010 to 2016. In particular, the number of small enterprises decreased during this period by 29 (although there was an increase of microenterprises by 197), while the average number decreased by 65 units. This, on the one hand, indicates the positive tendencies of increasing of number of small business entities and employment of the population, and on the other hand it displays the possibility of reducing the average size of the enterprise and changing them to small forms. This requires additional research and improvement of the policy to promote business practices.

The dynamics of the number of enterprises of large, medium and small businesses in the Sumy region for the period from 2010 to 2016 in percentage terms indicates a significant share of small enterprises - an average of more than 90%, including micro enterprises - more than 70%. According to the official website of the Department of Economic Development and Trade of the Sumy Oblast State Administration (<http://gue.sm.gov.ua/index.php/uk/42>) for 2016, 282.9 thousand UAH from the regional budget was spent on implementing the program measures. That is 68.7% of the envisaged financing (in 2015 - 1209.96 thousand UAH). At the same time 124,8 thousand UAH was financed from the budgets of cities and rayons of the oblast (in 2015 - 914,2 thousand UAH). Since the beginning of the year, measures to support small and medium enterprises have been financed in the following cities: Sumy (80.7

thousand UAH), Konotop (36.0 thousand UAH), Shostka (17.5 thousand UAH), Okhtyrka (20.4 thousand UAH) (4.5thousand UAH), Lebedin (4.2 thousand UAH) and the Bilopillia district (2.0 thousand UAH), Buryn district(2.0 thousand UAH), Krasnopillia district (2.8 thousand UAH), Krolevets district (1.1 thousand UAH), Lebedyn district (20.9 thousand UAH), Romny district (4.8 thousand UAH), S.-Buda district (1.0 thousand UAH), Yampil District (1.0 thousand UAH).

If we consider the figures in Ukraine as a whole, the situation looks as follows (Table 2):

**Table 2.** Structural indicators of enterprises of Ukraine based on their size \*

| Indicator                | 2010                         |                                  | 2011                         |                                  | 2012                         |                                  | 2013                         |                                  | 2014                         |                                  | 2015                         |                                  | 2016                         |                                  |
|--------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|
|                          | Number of enterprises, units | % re total number of enterprises | Number of enterprises, units | % re total number of enterprises | Number of enterprises, units | % re total number of enterprises | Number of enterprises, units | % re total number of enterprises | Number of enterprises, units | % re total number of enterprises | Number of enterprises, units | % re total number of enterprises | Number of enterprises, units | % re total number of enterprises |
| Total                    | 378810                       | 100,0                            | 375695                       | 100,0                            | 364935                       | 100,0                            | 393327                       | 100,0                            | 341001                       | 100,0                            | 343440                       | 100,0                            | 306369                       | 100,0                            |
| Large enterprises        | 586                          | 0,2                              | 659                          | 0,2                              | 698                          | 0,2                              | 659                          | 0,2                              | 497                          | 0,1                              | 423                          | 0,1                              | 382                          | 0,1                              |
| Medium-sized enterprises | 20983                        | 5,5                              | 20753                        | 5,5                              | 20189                        | 5,5                              | 18859                        | 4,8                              | 15906                        | 4,7                              | 15203                        | 4,4                              | 14869                        | 4,9                              |
| Medium-sized enterprises | 357241                       | 94,3                             | 354283                       | 94,3                             | 344048                       | 94,3                             | 373809                       | 95,0                             | 324598                       | 95,1                             | 327814                       | 95,5                             | 291118                       | 95,0                             |
| Small enterprises        | 300445                       | 79,3                             | 295815                       | 78,7                             | 286461                       | 78,5                             | 318477                       | 81,0                             | 278922                       | 81,8                             | 284241                       | 82,8                             | 347614                       | 80,8                             |

\* **Source:** Performance statistics for structural entities with distribution for their size. State Statistics Service of Ukraine (<http://www.ukrstat.gov.ua>)

Analyzing the structural indicators of activity of Ukrainian enterprises by their size in Table. 2. it should be noted that in Ukraine there is a slight decrease in the total number of all economic entities in the period from the year 2010 to 2016. On the other hand, during the last year of the investigated period there is a positive dynamics of the growth of the number of micro enterprises, which account for 80.8% of the total number of enterprises. This, among other things, may be due to the fact that a certain number of companies have moved to another group due to the limited demand and liquidity problems. Some new micro-enterprises were created (or renewed) by those who lost their jobs or moved from the conflict zone. Others were probably created for tax purposes (for example, for those employees involved in the contract work).

In order to be able to study the further business development in our country we consider the Ukrainian business to be compared with the leading European countries so that to understand what direction to move in. The classification criteria for enterprises is based on the average number of employed persons in the enterprise: microenterprises employing up to 9 people, small enterprises employing from 10 to 49, medium-sized enterprises employing from 50 to 249 employees, large enterprises employing more than 250 workers. The main indicators characterizing the size of the state and the structure of business in Ukraine (in the year 2016) and the EU averages (in the year 2015) are presented in Table 3.

**Table 3.** The Main Indicators Characterizing the Structure of Business in Ukraine and the European Union

| Indicators                   | Countries   |        |
|------------------------------|---|--------|
|                              | Ukraine   | EU     |
| Population, mln. people      | 42761 without taking into account the temporarily occupied territory of the Autonomous Republic of Crimea and the city of Sevastopol) | 502520 |
| Number of enterprises, units |   | 306369 |
| including large              |   | 382    |
|                              |   | 44458  |

|   |        |          |
|---|--------|----------|
| medium-sized                                | 14869  | 224647   |
| small                                       | 291118 | 22734954 |
| including micro                             | 347614 | 21356252 |
| Share in business, % large                  | 0,1    | 0,2      |
| medium-sized                                | 4,9    | 1,0      |
| small                                       | 95,0   | 98,8     |
| including micro                             | 80,8   | 92,8     |
| Number of enterprises by 10 thousand people | 71,6   | 457,8    |
| including large                             | 0,1    | 0,9      |
| medium-sized                                | 3,5    | 4,5      |
| small                                       | 68,1   | 452,4    |
| including micro                             | 81,3   | 425      |

\* **Source:** summarized by the authors due to the relevant data (<http://www.ukrstat.gov.ua>, [https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016\\_en#interactive-sme-database](https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016_en#interactive-sme-database), [http://database.ukrcensus.gov.ua/PXWEB2007/ukr/news/op\\_popul.asp](http://database.ukrcensus.gov.ua/PXWEB2007/ukr/news/op_popul.asp), <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&language=en&pcode=tps00001&tableSelection=1&footnotes=yes&labeling=labels&plugin=1>)

The data in Table 3 indicate that the share of business in all categories of enterprises in Ukraine and the average figures of the European Union are slightly different (especially in the case of medium-sized enterprises). There is a significant deviation of the enterprises per 10 thousand people: in Ukraine these indicators are much lower than the average numbers for the EU. It is small and medium-sized businesses that form the service-logistical support for the activities of strategic investors in the state. The number of small enterprises per 10 thousand people of the existing population on average in Ukraine was 68,1 enterprises (while the average number for this indicator in the EU is 452,4).

### 3. Discussion

The Ukrainian economy has traditionally been characterized by a relatively unfavorable business climate, which creates barriers for the development of the private sector, and small business entities in particular. According to the research results, the business climate in Ukraine is worse than in its closest neighbors and similar economies.

Currently the Ukrainian institutional environment for supporting small businesses consists of three main elements:

- The Department for Enterprise Development and Regulatory Policy under the Ministry of Economic Development and Trade of Ukraine is responsible for the formation and implementation of a policy in the field of entrepreneurship;
- The Law "On Development and State Support to Small and Medium Enterprises in Ukraine" is the basis for the development of small business;
- A Concept for a nationwide SME development program for 2014-2020, however, the Program itself has not been developed and is planned to be replaced by the Strategy for the Development of Small and Medium-Sized Enterprises.

The basis for the development of small business in Ukraine is the Association Agreement and the Free Trade Agreement between Ukraine and the EU, which are very important for the future of the country. The economic goal of the state is to modernize the economy, to ensure the growth of production and trade, and to ensure the compliance of economic regulation with European and international standards. Proceeding from this, one can give the main normative documents that influence the development of small business in Ukraine (Table 4).

**Table 4.** The Main Normative Documents that Influence the Development of Small Business in Ukraine

| Name (enactment year)                                  | Main goals  |
|--|---|
| Sustainable Development Strategy "Ukraine 2020" (2015) | <ul style="list-style-type: none"> <li>• Security of the state, business and citizens.</li> <li>• Responsibility and social justice.</li> </ul> |

|   |  |
|---|--|
|   | <ul style="list-style-type: none"> <li>• Pride for Ukraine in Europe and in the world.</li> </ul>  |
| Association Agreement between Ukraine and the EU (2014)                           | <ul style="list-style-type: none"> <li>• Trade and related issues.</li> <li>• Economic and sectoral cooperation.</li> <li>• Financial cooperation.</li> </ul>  |
| Plan of measures for deregulation of economic activity (2016)                     | <ul style="list-style-type: none"> <li>• Creating the favorable conditions for doing business.</li> </ul>  |
| State Strategy for Regional Development for the period up to 2020 (2014)          | <ul style="list-style-type: none"> <li>• Strengthening the regional competitiveness.</li> <li>• Territorial socio-economic integration and spatial development.</li> <li>• Effective management of regional development.</li> </ul>  |
| Strategy for the development of the technical regulation system up to 2020 (2015) | <ul style="list-style-type: none"> <li>• Elimination of technical barriers to trade between the EU and Ukraine.</li> <li>• Implementation of Ukraine's commitments after accession to the WTO.</li> <li>• Modernization of the economy by increasing investment and competitiveness of domestic products on the world market.</li> </ul> |

\* **Source:** summarized by the authors

Small and medium-sized businesses tend to have a local character, indicating that there is an interaction between economic entities and the local market. The local market does not only use raw materials and labor force, but there is also a realization of finished goods and services. In addition, the company can easily adapt to a particular region, since such conditions are more favorable for its further development.

The state of business in Ukraine is an indicator of business activity of the population, on the one hand, and evaluation of business on the other. It plays a significant role in the national economy, namely, providing employment and work places for people, creating the competitive environment, providing filling the budget with the tax payments and so on.

The problems of small and medium business in Ukraine, in the opinion of the authors of this article, include:

- practically no business support programs at national level;
- inconsistency of bank lending to the requirements of business (high interest rates);
- insufficient infrastructure to support business;
- unsatisfactory state of vocational training;
- lack of seed capital for business creation;
- lack of working capital for business development.

The experience of the European Union confirms that the small and medium-sized businesses play an important role in the economy, which affects economic growth as a whole. Organizing the EU single market, simplifying the tax system, improving the availability and sources of financing, cheap and fast business registration process and freedom of doing business, improving new technologies –those are the factors that contribute to efficient and high quality business support systems.

Using the experience of companies in the EU, we can mention the advantages and challenges for business in Ukraine (Table 5).

**Table 5.** The advantages and challenges for business in Ukraine in case of entering the EU\*

| Strengths  | Weaknesses   |
|--|--|
| <ul style="list-style-type: none"> <li>- enterprises flexibility;</li> <li>- the ability to simulate production;</li> <li>- the ability to change the business profile of the enterprise;</li> <li>- significant motivation to work;</li> <li>- reducing the tax burden.</li> </ul>  | <ul style="list-style-type: none"> <li>- the lack of access to capital;</li> <li>- no development strategy;</li> <li>- the lack of qualified personnel;</li> <li>- the absence of measures to stimulate lending and investing in small business.</li> </ul>  |
| Opportunities  | Threats  |
| <ul style="list-style-type: none"> <li>- broad sales market;</li> <li>- access to the market of production;</li> <li>- broad capital market;</li> <li>- reducing exchange rate risk;</li> <li>- the use of new technologies and management practices;</li> <li>- simplified international cooperation;</li> <li>- improving the stability of law;</li> <li>- the elimination of tariff barriers;</li> <li>- favorable EU policy for SMEs.</li> </ul> | <ul style="list-style-type: none"> <li>- excessive legal regulation;</li> <li>- introduction of new quality standards;</li> <li>- new bureaucratic procedures and legal complexity;</li> <li>- new legislation requirements;</li> <li>- restricting access to public contracts;</li> <li>- increased competition;</li> <li>- luring customers some foreign companies;</li> <li>- easy entry into the domestic market through the foreign capital.</li> </ul> |

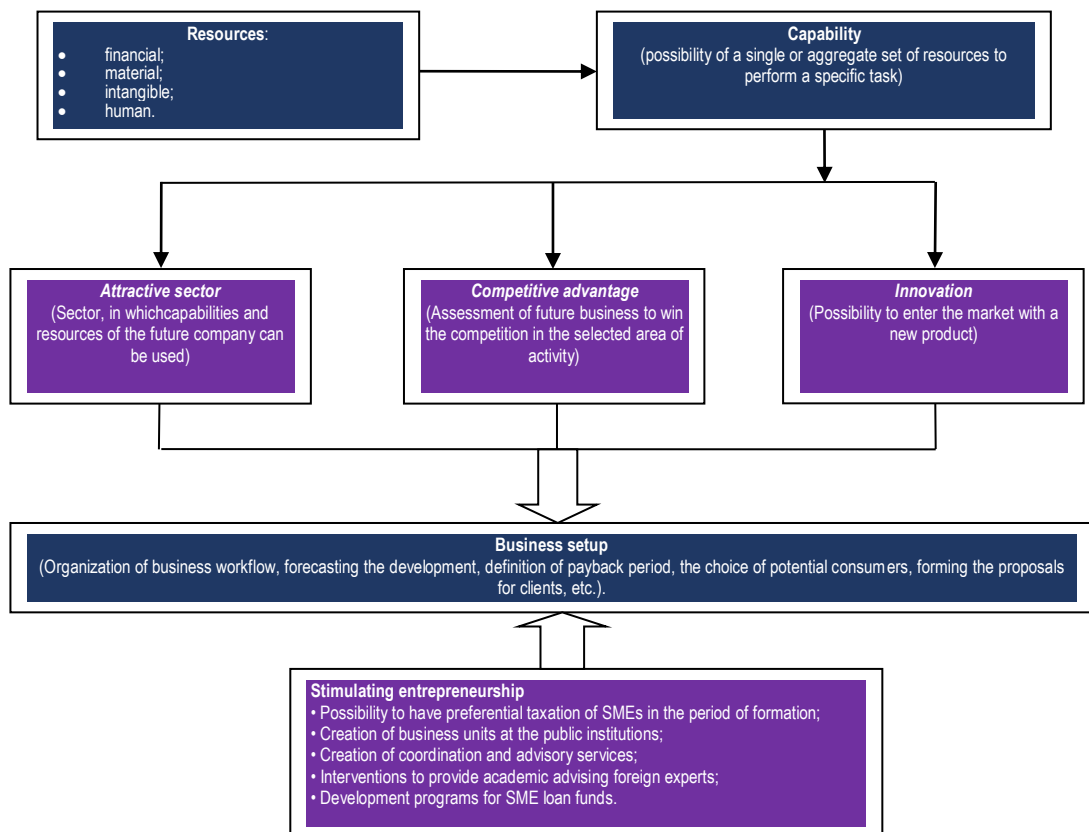
\* **Source:** summarized by the authors

The results of the Amway Global business research for 2016 (Amway Global Entrepreneurship Report, AGER – <http://news.amway.ua/ager-2016/>) show that Ukrainians treat entrepreneurship as an additional source of income, but many of them are uncomfortable with the need to seek and win customers. The number of Ukrainians who are positive about the business has increased by 2% and now reaches 65%. Although this is not enough to be a good dynamics, but it's the first steps forward to positive changes. The world average indicator of a positive assessment of business is 77%. This most positive attitude to business is shown by the residents of Denmark (94%), Vietnam (95%) and Norway (96%). The worst situation is in Slovakia (58%), Romania (52%) and Turkey (42%). Ukraine consistently goes against the global trend in terms of motivation to start a business. If the world's leading reason for starting a business is "independence of the employer" (50%) and "the opportunity to realize the ideas" (47%), in Ukraine it is primarily and traditionally treated as "an additional source of income" (34%). The other important factor which is well shown in the regional dimension is "getting back to the labor market".

In Ukraine on January 1, 2017 some certain categories of entrepreneurs were obliged to pay the taxes even if they have no income. Therefore, at present there is a tendency to reduce the number of entities. On the one hand it reduces statistics (as some part of the entrepreneurs did not actually work), and on the other hand those people have lost the opportunity to resume at any time. If nothing changes regarding the approaches to business, unemployment in the country will only grow, as well as the number of professionals moving abroad. Closure of small business entities leads to reducing of the number of taxpayers and therefore lowers the budget receipts. Also the number of people in need of subsidies in Ukraine is constantly growing negatively affecting employment and socio-economic indicators of the state.

Business activity cannot appear out of nowhere. Usually to start a business a founder is to have the idea and initial capital, associates, intellectual and human resources. The business model of any business is the template for creation and operation of businesses in certain circumstances. It is an important step of the strategic plan, which includes an overview of future business, which in turn affects the evaluation of the main keys of success of the enterprise and determines its growth. So, to start a business means to simulate the pattern of its promotion by the local authorities (Fig. 1).

**Figure 1.** Model of a business according to the resource approach\*



\* **Source:** summarized by the authors

Based on this resource vision one could argue that the desire to become a successful business owner does not always coincide with the capabilities of a particular person and not all beginners can prove their own business to obtain the desired results (the possible reasons for that are the lack of knowledge, patience or perseverance).

To ensure the efficient operation of SMEs in our country it is important to have some kind of effective leverage on the business and results of financial and economic activity. In authors' opinion, one such effective leverage is developing an information base on demand of management (shareholders), which nowadays is a language of business and has the specific features of reflecting the business transactions for every business entity. Identification of each enterprise can be achieved by developing measures to ensure the efficiency of any information and implementation of scientific approach in the enterprise. To achieve this it is important to provide the support of entrepreneurship; create the funds for micro crediting the SMEs; increase the number of small and medium enterprises in manufacturing; increase the share of high-tech sectors (IT sector) among small and medium enterprises; increase the quality and the share of exports; increase the number of employees at small and medium enterprises; increase local revenues from the activities of small and medium businesses. Table 6 demonstrates the complex of activities that can lead to execution of the tasks of development of small and medium enterprises.

**Table 6.** Complex of activities that can lead to execution of the tasks of development of small and medium enterprises\*

| Task                                     | Complex of activities  |
|--|--|
| Entrepreneurship simulating              | <ul style="list-style-type: none"> <li>• Possibility to have preferential taxation of SMEs in the period of formation;</li> <li>• Creation of business units at the public institutions;</li> <li>• Creation of coordination and advisory services;</li> <li>• Interventions to provide academic advising foreign experts;</li> <li>• Development programs for SME loan funds.</li> </ul>  |
| The involvement of business in IT sphere | <ul style="list-style-type: none"> <li>• Establishment of IT departments at public institutions;</li> <li>• Possibility to have preferential taxation for IT business;</li> <li>• Increasing the list of specialties in IT area in educational institutions;</li> <li>• Improving the computer database at educational institutions for organizing the effective training of IT specialists;</li> <li>• Implementing the principles of dual education (involvement of practicing IT professionals);</li> <li>• Online consulting in IT business;</li> <li>• Participating in government and foreign Grande in a series of information technology.</li> </ul> |
| Export-oriented business stimulation     | <ul style="list-style-type: none"> <li>• Application of preferential taxation for small and medium businesses that enter the international markets;</li> <li>• Providing the analysis of foreign markets;</li> <li>• Providing the services in assessment of products according to international quality standards.</li> </ul>   |

\* **Source:** summarized by the authors

There is a necessity to develop a national program of stimulating the small business based on private property and provide it with the accessible public loans and preferential taxation. Today Ukraine has made some measures to support business. More than 100 different illegal or outdated documents have been abolished (including 44 canceled acts of the Cabinet of Ministers and other central executive authorities in the field of state supervision (control), which in practice would mean reducing the number of inspections of businesses by the different institutions. These measures of state supervision (control) lost their relevance or are no longer anticipated in accordance with the Law of Ukraine "On principles of state supervision (control) of economic activity") (<http://www.interbuh.com.ua/ua/documents/onenews/106183>). These actions can be noted as some positive changes that promote entrepreneurship.

## Conclusions

The study has found the state of entrepreneurship development in Ukraine and identified the problems of small and medium business in Ukraine: the lack of business support programs at the national level; inconsistency of bank lending to the requirements of business (high interest rates); insufficient infrastructure to support business; unsatisfactory state of vocational training; lack of seed capital for business creation; lack of working capital for business development.

In authors' opinion, the resource approach to business is the most optimal. It is impossible to organize any activity without resources (financial, material and intangible, human). The lack of required amount of free cash flow (main resource) may become an insurmountable obstacle. Thus, the environment in the form of resources and capabilities of the enterprise are the two most important things for determining strategic actions. Ideally, resources for business activities should be the main part of the creation and development of enterprises. They may require not only determine the development path of the project, but also act as a part of business activity.

It is also important to realize that business is entirely dependent on the state system concept. The set of measures that provide specific tasks of development and activity of small and medium enterprises (stimulation of entrepreneurship, attracting business in the IT sector, the promotion of export-oriented businesses) should not only solve the economic problems of the country and the region but the social ones as well (providing the work places and support regional small business).

The prospects for further development in this direction will be to implement the programs of SME development in specific regions given their special characteristics.

## References

[1] Lyashenko, V.I., Tulku, Y.I. 2015. Small Innovative Enterprise as an Object of State Innovation Policy. *Economic Innovation*. 59: 219-227. Mode of access: [http://nbuv.gov.ua/UJRN/ecinn\\_2015\\_59\\_26](http://nbuv.gov.ua/UJRN/ecinn_2015_59_26).

[2] Melnyk, A. 2016. Business at The National and Regional Markets Services in Ukraine: Modern Trends and Development Factors. *Bulletin of Ternopil National Economic University*. 1: 7-21. - Mode of access: [http://nbuv.gov.ua/UJRN/Vtneu\\_2016\\_1\\_3](http://nbuv.gov.ua/UJRN/Vtneu_2016_1_3)

[3] Serhiiko, O.V. 2015. State Regulation and Management of Business: Content and Function. *Private Law and Entrepreneurship*. 14: 157-160.

[4] Strelbitska, N.E., Red'ko, T. 2016. Small and medium business as a factor of social and economic growth of the EU. *Scientific Bulletin of the Uzhgorod National University. Series: International Economic Relations and the Global Economy*. 7 (3): 118-122. Mode of access: [http://nbuv.gov.ua/UJRN/Nvuumevcg\\_2016\\_7%283%29\\_32](http://nbuv.gov.ua/UJRN/Nvuumevcg_2016_7%283%29_32)

[5] Zabarna, E.M. 2016. The Specifics of Small Businesses in the Social and Economic Development of Regions of Ukraine. *Economic Forum*. 2: 101-109.

\* Financial and Credit Support. *The Official site of the Department of Economic Development and Trade of the Sumy Regional State Administration*. Mode of access: <http://gue.sm.gov.ua/index.php/uk/42>

\*\*\* Performance Statistics for Structural Entities with Distribution for Their Size. *The Official site of the State Statistics Service of Ukraine*. Mode of access: <http://www.ukrstat.gov.ua>

\*\*\*\* Annual Report on European SMEs 2015/2016. *European Commission*. Mode of access: [https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016\\_en#interactive-sme-database](https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016_en#interactive-sme-database)

\*\*\*\*\* Population on December, 1, 2016 and the Averages for the Period from January to November 2016. *State Statistics Service of Ukraine*. Mode of access: [http://database.ukrcensus.gov.ua/PXWEB2007/ukr/news/op\\_popul.asp](http://database.ukrcensus.gov.ua/PXWEB2007/ukr/news/op_popul.asp)

\*\*\*\*\* Population on 1 January. *Eurostat*. Mode of access: <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&language=en&pcode=tps00001&tableSelection=1&footnotes=y&s&labeling=labels&plugin=1>

\*\*\*\*\* Amway Global Entrepreneurship Report, AGER. *Amway. Newsroom*. Mode of access: <http://news.amway.ua/ager-2016/>

\*\*\*\*\* More than 100 Regulations for Deregulation of Business Have Been Canceled *Accounting Services "Interactive Accounting"*. Mode of access: <http://www.interbuh.com.ua/ua/documents/onenews/106183>