SMALL AND MEDIUM BUSINESS DEVELOPMENT IN CONDITION OF UKRAINIAN ECONOMY INTERNATIONALIZATION

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Abstract

World experience and practice convince that important element of market economies is existence and interaction of big, medium and small enterprises. Small and medium business (SMB) development answers the worldwide trend of shaping the flexible mixed economy, combination of the different property categories and identical model facilities, in which is realized complex syntheses of the competitive market mechanism and government regulation large, average and small production.

Economic essence of small business, its specifics and role in context economy internationalization is reflected in work of many domestic and foreign scientists.

Methodology of the study is based on dialectical method of the scientific cognition of the economic processes; method of the system analysis and syntheses; statistical and mathematical analysis.

Analysis of studies shows that in Ukraine, in spite of taken measures, hitherto are not created condition to increase amount of SMBs, but also their efficient development. One of the reasons of such position is concluded in insufficient and inefficient state support.

Besides, particularly it is difficult presently happens with SMBs in condition of the world financial crisis: sharp falling-off of production, defaults on a payment, impossibility of the reception credit etc. For the reason minimization of the financial crisis influence on SMB the state must urgently use the different mechanisms of the regulation to economic activity - by acceptance legislative and normative acts first of all.

Keywords: small business, entrepreneurship, economy internationalization, world financial crisis, state support.

Introduction

The process of the shaping and developments of SMB in Ukraine run particularly in a complicated way and inconsistent. However, in the course of scolded economic transformations small companies gradually occupy all more important positions in system national production. Need of the qualitative improvement of the country economy, greatly efficient use resource conditions need for determination scale and the main trends of the use the potential small and average companies.


However, in domestic economic science exists certain backlog in the field of complex study of the problem of increasing social-economic potential modern of Ukrainian SMB. The realization of the market transformations in Ukraine puts ahead domestic economic science problem analysis of the particularities of SMB operation in context the internationalization processes.

Purpose of the work is concluded in study of the modern condition of SMBs development in context Ukraine’s economy internationalization and determination of its development prospects.

Methodology of the study is based on dialectical method of the scientific cognition of the economic processes and phenomena: theoretical generalization; comparative; method of the system analysis and syntheses; statistical and mathematical analysis.

Main results of the study

At study of economic essence of the small business follows to pay attention to premises and possibility of its creation for decision of the different economic problems. At present significant disproportions exist in Ukraine between large, average and small business in spite of the fact that in base of their interaction lays not only mutual interests, but also united purposes. In market condition demand is general defining category. Herewith integral efficiency production goods and services (the expenses, quality, renovation of the assortment and etc.), their carry to consumers depend from intercepting small and large business. So in structure of the national economy of the developed countries constantly increases the share small and average enterprise, are improved mechanisms of their interaction with large corporation, compelled
adequately to respond to global market differentiation and increasing personalization of the consumer demand in epoch of postindustrial developments.

For long time relationship large and small business were realized in sphere of the address and credit-financial area basically. Modern period is characterized also broad development of the intercepting large and small capital and in sphere production. Such phenomena are caused, first of all, deepening the public division of labor and growing to specialization production.

The relationship large and small businesses are realized in the most varied forms: and through the market and through direct contracts directly. Revealing of the reasons, which force the large companies to compete with small, try to subordinate them, or co-operate with them on equal, will allow to formulate the mechanism of the efficient interaction small and large business, which took into account to situations, both coincidences, and conflict interest small and major concerns.

In determination of the interaction large and small business special role plays the state, which gives the privileges to the small business, making its attractive for large and average enterprise since accommodation of the orders on small enterprise allows shortening the production costs.

Being necessary element of market economies, small and average enterprise undertakes some specific functions; defining its economic particularities, one of which is bound, for instance, with coincidence base function enterprise as a type to activity (the professions) and businessman as owner. The absence traditional for major concerns of division of the rights and functions between owners and mercenary managers provide small of enterprise a lot of competitive advantages.

Table 1. Comparative competitive advantages of small enterprises and corporations

<table>
<thead>
<tr>
<th>Factors of competitive advantage</th>
<th>small enterprise</th>
<th>corporation</th>
</tr>
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<tbody>
<tr>
<td>Operation reactions on changes of the market conjuncture</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Additional costs referred on prime cost of the product</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Expenses on contents of the personnel</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Possibility of the operative renovation of technologies</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Rate of the realization innovations</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Accessibility of address supports</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Possibility of the renovation of the main funds</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Access to occupation financial resources</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Possibility of the system marketing studies and active advertisement</td>
<td>-</td>
<td>+</td>
</tr>
</tbody>
</table>

One of restraining factor of the development small and average enterprises, reducing its efficiency, is a falling-off of production in sphere of large enterprise. The world experience indicates about large companies as the sphere of three-dimensional production and distribution play the important and even the defining role in economy of the country and in shaping high standards of lives. Without them small businesses can not exist, getting raw materials, completing products and prepare products for realization. The other words, large corporations create the conditions for operating the small business. But, the other hand, large companies depend from small. They can not organize, scale production and realization their own goods and services without participation of small and average companies, which occupy in these process rather significant place.

So the problem of the state is creation of the reasonable conditions for operating all subjects of business activity.

The generalization results of questioning the businessmen brings to conclusion that one of the sharpest problems of activity of the most part of small enterprise is a problem of searching for and getting financial resource required for advance the process of the management. So special importance for development of the sector of the small business has a problem of the state assistance in financial ensuring the enterprise of the small business.

In system financing-credit support of the enterprise the heaviest for budget of the country is an irrevocable financing separate subject small enterprise and taxations. In general financing enterprise by state is considered unmarketable and so inadvisable way of the state influence upon development of the economic
processes. However in practice subsidizing remains one of the most wide-spread lever economic politicians many countries. For instance, amount annual subsidies from budget of the USA to small business forms 300 mlrd. dollars. In the same time even in high developed countries straight line of the state support or is given, to those enterprises, which activity is important for development of the national economy, or has a social coloration.

In Ukraine in connection with absence of the state possibilities the straight line financial aid practically is absent. For present-day day by main way of financial support of the small business is a bank credit.

As for lending as a whole, it can say that bank institutions do not want to deal with such client, as small business. There are several reasons: absence of the guarantee, too small amount of the loan and for short period, significant risk, and small profit in absolute expression in contrast with lending serious borrower. Thereby, small businesses are not today attractive clients for banks. At the same time, rates of credit resources, which act on the market, are too high for small enterprise that does the bank credits inaccessible for this sector of the economy.

While that on state level by financial support enterprise concerns with only several structures such as, Oschadnyi bank of Ukraine, Ukrainian fund of support enterprise, State committee of the assistance development enterprise, State centre to employment of the Ukraine. Regrettably, what has proved; the practice, these structures and amounts of their lending can not satisfy the available demand from the part of subjects small enterprise for receptions financial-credit aid.

The World community also participates in small business investing. In this plan the big importance with World Bank, European bank, Bank of reconstructions and development, Funds "Eurasia", Funds "Rebirth", Funds "Know-how". Among countries, giving financial-technical aid Ukrainian enterprise, the most active are the USA, Germany, the Great Britain, and Canada.

However, as the analysis are shown of the development small and average business abroad, the majority of foreign states for assistance of the development of the small business tries to attract the facilities not from outside but to account of the mobilizations on home markets, using systems of the privileges and state aid.

The Experience of majority foreign countries confirm that state policy comparatively small enterprise is the important independent system direction social-economic policy of the state as a whole. This policy is formed on principle of the making the favorable ambience for developments of the small enterprise, in that directions of activity particularly, which give maximum social-economic effect in country or region.

However the system of state support small enterprise, about the world witness is spoken, is formed with provision for state and political device, directions of the economic development, traditions of the regulation and selforganization of business activity, conditions of budgetary and credit-financial system, level of the public consciousness and other factors. So direct moving in Ukrainian economy American, French, German or any other models of state support of the small enterprise impossible.

Together with that the study of the organizing structures and mechanisms of support small enterprise in the other country able to define the general lines, inherent to each of these countries, in spite of models of their development and these or others national particularities. These general lines follow to take into account the system of support and developments of the small enterprise when shaping:

– presence of the special legal acts, which define the purpose state policy and adjust the complex of the questions of state support of business activity;
– presence of the developed system specialized governmental pawn and organization with state or mixed capital, which provide coordinate performing the complex of the problems for supports enterprise, in particular small;
– regional demarcation function between central, regional and local organ state authorities from delegation large powers administrative-territorial unit preserved for central organ total coordinate functions, which provides the unity of the economic space and economic regulation;
– a development and realization of the system of the state financial programs, technological, information, consultation, foreign economic, trained assistance small enterprise;
– a funding the programs of support of the small enterprise from budget of the different levels, creation invigorative tax instruments, using the varies forms and methods of the financing, creation specialized financial, credit, insurance and investment institutes, encouragement quotient credits and investments in sphere of the small enterprise by way state warranty, insurance etc.;
– an orientation on indirect forms of support small enterprise, which do not distort (do not deform and do not hold up) influence of market mechanism;
– interaction of organs state authorities of the different levels with alliance in associations with the businessmen for the reason of account of their offers for development and acceptance corresponding decisions, normative-legal acts etc...

The World experience shows that particularly greater role will play state support small enterprise in crisis conditions, when the economy needs in fundamental structured realignment and completely necessities of reduction to social tension. The Example of this can be postwar Japan and Germany, England 70-end years, country to East Asia in the last 10-15 years. The Experience of the foreign countries presents the certain interest for Ukraine, but the general line, inherent to many countries, must be taken into account when state politician’s supports shape into small enterprise in Ukraine.

Understanding important economic and social role of the small and average business turns out to many countries of the world created special state organs of the assistance of the development of the small business. The Agency of questions of the small business executes many functions in country-member of Organizations economic cooperation and developments (OECD). For instance, support of the small business - an independent part state economic policy of the government USA. In Senate and House of representative Congress USA work the committees of the small business. Most packed program of support of the small business within the whole country is realized through federal agency - an Administration of the small business (ASE). The Department acts In Canada on deals of the small business; in Japan - a National administration of the small business; in Germany, France, Italia relations with small business adjust the subdivisions a ministry economy, industry and trade.

The small business is one of the weighty sectors, which defines the rates of the economic growing, structure and quality of the gross national product. In modern economy of the industrial developed countries 50-60% GDP it accounts for small and average business. For instance, share of the small business in GDP Great Britain, USA, and Germany varies within from 50 before 54%, in Japan - 52-55%, in Italia and France - nearly 60%. There is a tendency, on which 99,9% agricultures do not concern with from the gross amount enterprise West Europe (Ivanova,2006).

On given UNO, in world economy small and average business is an employer nearly 50% able-bodied age. For instance, in Japan, Italia, Switzerland on small enterprise concentrated dominating part of labors and very big in the USA and Germany. The Amount of the small enterprises, which accounts for 1000 inhabitants in France, Germany, Great Britain and Japan, varies within from 35 before 50 then in the USA - 74. In Ukraine this factor is equal 4 (the indicator table 2) (Runova, 2005).

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount workmen, persons</th>
<th>Amount enterprises on 1000 inhabitants, units</th>
<th>Share GDP, which accounts for small business, %</th>
<th>Share occupied in small business, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
<td>250</td>
<td>46</td>
<td>50-53</td>
<td>49</td>
</tr>
<tr>
<td>Germany</td>
<td>250</td>
<td>37</td>
<td>50-52</td>
<td>46</td>
</tr>
<tr>
<td>ES</td>
<td>250</td>
<td>45</td>
<td>63-67</td>
<td>72</td>
</tr>
<tr>
<td>USA</td>
<td>500</td>
<td>74</td>
<td>50-52</td>
<td>54</td>
</tr>
<tr>
<td>Japan</td>
<td>300</td>
<td>50</td>
<td>52-55</td>
<td>78</td>
</tr>
<tr>
<td>Poland</td>
<td>250</td>
<td>-</td>
<td>49</td>
<td>61</td>
</tr>
<tr>
<td>Czech</td>
<td>500</td>
<td>-</td>
<td>34</td>
<td>44</td>
</tr>
<tr>
<td>Russia</td>
<td>50</td>
<td>7</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>Ukraine</td>
<td>50</td>
<td>4</td>
<td>7</td>
<td>19</td>
</tr>
</tbody>
</table>

The analysis table 2 has shown that exist the significant divergences on amount workmen on small enterprise. In the USA and Czech small enterprise is considered if amount does not exceed 500 workmen, in majority of the industrial developed countries - before 250 workmen, but in Ukraine and Russia - before 50 workmen only. This is explained small successes for developments of the small business in Ukraine. Also in that countries, where factors of the developments of the small business the most high, no restrictions on amounts of marketed commodities, goods, services.
Thereby, supporting small business, west countries have solved a problem personal well-being. Today, population in industrial developed countries spends only quarter of its income on acquisition of the consumer goods, but other three fourth - on nonconsumer goods, facilities, saving.

In Ukraine, on different count, at the average, population spends from 70 before 90% it’s earning only on consumer goodies. So development of the small business has positive importance for Ukrainian economy, but integration of the small business in world economy will allow reducing the breakup between levels of well-being folks.

With standpoint of foreign economic interest Ukraine, the active participation small enterprises in overseas trade and the other forms of the foreign economic connections can become the source of the increasing the exchange arrivals, decisions of the series of the economic problems. The experience of the foreign countries shows that small business plays the important role in expansion foreign economic position of these countries. So in Germany the companies by amount workmen not more than 500 provide 40% national export, in France - 36%. In Japan the companies with amount workmen not exceeding 300 - 39%. The role of the small companies in foreign economic connections of the west countries increased in connection with transition from inter-branch to intra-branch specialization. The small companies specialize on production of the nodes, details, completing product, delivering their to the large companies, releasing prepared products particularly in car- and airbuilding, agricultural machine building and others many small businesses in Japan, France and the other countries from 20 before 50% its product deliver on export.

The difficulty in undertaking the study of the processes internationalization of the business activity in Ukraine consists in absence official information about geographies, the forms and types realized foreign economic activity, strictly small enterprise (SE). I.e. analysis of this activity, can conduct only on the grounds of expert estimations only. As of questioning 2005, small part small and average enterprise of the Ukraine exported its product and facilities. Only 6% small and 17% average enterprises realized the export operations. The share of the large companies, exporting their own product and facilities, forms 45%.

As a whole on the grounds of analysis of the literary sources, results of the polls TIC (trade-industrial chamber) Ukraine’s of the businessmen can say that from all forms internationalization for business activity of the Ukraine the most typical such:

- an export-import operations (home goods, consumer goods);
- contract and cooperation, in particular license agreements and franchising;
- a facilities (the consulting, buying premises, tourist);
- attraction direct foreign investments.

The rest forms of business internationalization - first of all creation own branches abroad - are absent.

Thereby, founding on expert estimations, can say that geography of the export enterprise SE is distributed thereby: country CIS. (24,4%), country EU (19,7%), the other countries of Europe (16,6%), Asia (28,2%). The Import enterprise SE is realized on the same geographical directions, as export, but is distributed in such ways like: country CIS. (37%), country EU (21 %), the other countries of the Europe (13 %), Asia (22 %) (the figure 1).

**Figure 1.** The export and import structure of the small enterprises
In goods structure of the export small enterprise leading place occupies the product of the agriculture and food industry - about 10%. The Greater share both in import and in export forms the products of light industry: cloth, footwear. If as a whole in structure of the export of Ukraine main articles are such, as recast iron, renting the ferrous meatless, pipes and chemical fertilizers, that small enterprises in this sector of the overseas trade play the go-between role, or commercial structures, created under large industrial enterprise.

Thereby, activity SE on today has no influential of importance on the general volume of Ukrainian export, but, considering their high innovational activity, it is necessary to emphasize that all goods, works and facilities, which were realized on foreign markets, have high competitiveness or is innovational by product. Value the export small enterprise in branches; to research the amounts and structure of the import, investment and the other types to foreign economic activity it is impossible. The State committee of the statistics of Ukraine considers that this information has no influential importance on development of the economy of the country and therefore does not need for more detailed observation. The foreign trade turnover of the country is not considered depending on size, property category enterprise that, on our view, is a significant defect. Besides, there is no possibility to do the estimation (even by means of offered methods) the structure of the export and import on branches since for presentation of information for export-import relations and volumes made and marketed commodities by small enterprises are used different categorizations.

Follows to note that for attraction foreign investment in small business sector in Ukraine exists such attitude to preparation of statistical information. But, resting in analysis of the varied literary sources, possible do such findings. The most investors emerge the USA, Cyprus, the Great Britain, Netherlands, Virgins Island, Russia Federation, Germany, Switzerland and Austria. In rare events the question is really strategic investments TNC, in majority - it is a return through offshore zones earlier unlawfully removed dark capital. The most attractive for investor of the small enterprise, with standpoint of the branch distribution emerge: food industry, wholesale and retail business, transport and relationship, operations with premises. Considering low degree of integrations of Ukraine in process internationalization world economy, we consider expedient to use more explicating on type and shapes of the factors of the estimation level given process for countries with connecting economy.

Conclusions

In condition global internationalization and attempts of Ukraine to integrate in world community small enterprise it cannot to stay in side from these changes. The modern trends of the economy such as for making the competitive product enterprise need the leading developments, modern technology, recourse-saving technologies, and efficient management. At present problem of the development of the foreign economic connections and attraction foreign investment in small enterprise has gained special urgency. State support of the small business in all economic developed countries - a creation by state organizing-legal and financial-economic conditions for development of the business structures. So shaping state politicians for supports small enterprise, determination of the ways to its realization must be not only objective need, but and a part of doctrine social-economic upheaval in Ukraine.

Besides, particularly it is difficult presently happens with SMB’s in condition of the world financial crisis: sharp falling-off of production, defaults on a payment, impossibility of the reception credit etc. For the reason minimization of the financial crisis influence on SMB the state must urgently use the different mechanisms of the regulation to economic activity - by acceptance legislative and normative acts first of all.

So we shall select the main trends of state support, which allow realizing the potential effect from small and medium entrepreneurship development:

<table>
<thead>
<tr>
<th>Table 2. State support directions of the development small and medium entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>improvement of the external ambience of the operation small enterprise</strong></td>
</tr>
<tr>
<td>• taxation,</td>
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<tr>
<td>• licensing,</td>
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<tr>
<td>• certification,</td>
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<tr>
<td>• order of registrations enterprise,</td>
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<tr>
<td>• premises and areas,</td>
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<tr>
<td>• checking realization for their activity</td>
</tr>
<tr>
<td><strong>improvement of the investment climate</strong></td>
</tr>
<tr>
<td>• development mechanism attraction of the facilities for financing of small enterprise,</td>
</tr>
<tr>
<td>• development of the short-term regional programs innovation-investment activity,</td>
</tr>
<tr>
<td>• assistance to organizations risk financing</td>
</tr>
</tbody>
</table>

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In present condition of the economic crisis and limited financial resources exactly small and average enterprises, not requiring large start investment, possessing high stability in crisis conditions, capable the most quickly and sparely solve the problems an demonopolization, shaping the system of the market relations and saturation of the market by goods and services. They can undertake the main role a reconstruction and substitution of the destroyed economic relationships, promote making the average class, providing political stability and development society by democratic way.

Considering mechanisms and economic contents integration interactions small and large business, possible select the following directions of cooperation and advantages for small and average business, which are its effect:

1. Franchising (significant support from "parental company in sphere of marketing, increasing to qualifications of the personnel and their experience management education, technical assistance (that count; calculate; list joint use the part of equipment), broader access to raw materials)
2. Subcontracting (the achievement high level loading the equipment and high efficiency, long-term orders and constant cooperation, introduction and certification managerial system by quality).
3. Clusters (the fortification relationships between firms, growing innovation and capacity of the labors, creation central to attraction foreign investment, learning the business ambience).

The success of the small and average enterprise will depend on not from improvement of the system of state support not only and the forms of the interaction with large business, but also from use the different forms to foreign economic activity. The expansion to foreign economic activity of the small enterprise expects in turn improvement of the ways of their output on foreign market:

1. Use nontraditional technologies and issue goods public consumption, artistic product, expensive fashionable cloth and footwear, porcelain and delftware dishes, ceramics and others in good study of a market and organizations of the marketing of small businesses of such profile could greatly increase the marketing to its product overseas, since these goods comparatively labors-consuming, but level of the costs on labors while in Ukraine small.
2. Specialization and cooperation with foreign company.
3. Alongside with enterprise of the production nature and trade-intermediary companies, big development could get small businesses in sphere of the services of the international nature. Here in the first place it is necessary to say about international tourism.
4. Possible and the other types enterprise for small enterprise in sphere of the services, for instance, consultation and engineering activity, advertising deal.

References