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INNOVATIVE SMALL BUSINESS IN UKRAINE: THE SENSE AND CURRENT PROBLEMS

ІННОВАЦІЙНИЙ МАЛИЙ БІЗНЕС В УКРАЇНІ: СУТНІСТЬ ТА СУЧАСНІ ПРОБЛЕМИ

ИННОВАЦИОННЫЙ МАЛЫЙ БИЗНЕС В УКРАИНЕ: СУЩНОСТЬ И СОВРЕМЕННЫЕ ПРОБЛЕМЫ

Abstract. Small business is an important component of the economy, which promotes development of mobility, flexibility and innovative capacity in the country. In the article the essence of innovative small business is considered, the main problems, which require a priority and urgent solution for ensuring of stable and gradual development of small business, are investigated. It is proved, that it is necessary to promote the financial provision of small enterprises from different sources.

Анотація. Малий бізнес є важливим компонентом економіки, який сприяє розвитку в країні мобільності, гнучкості та інноваційного потенціалу. У роботі розглянуто сутність інноваційного малого бізнесу, досліджено основні проблеми, які вимагають пріоритетного та невідкладного вирішення для забезпечення стабільного і поступового розвитку малого бізнесу. Доведено, що необхідно сприяти фінансовому забезпеченню малих підприємств з різних джерел.

Аннотация. Малый бизнес является важным компонентом экономики, который способствует развитию в стране мобильности, гибкости и инновационного потенциала. В работе рассмотрена сущность инновационного малого бизнеса, исследованы основные проблемы, которые требуют приоритетного и неотложного решения для обеспечения стабильного и поступательного развития малого бизнеса. Доказано, что необходимо содействовать финансовому обеспечению малых предприятий из разных источников.

Small business – independent, initiative, systematic economic activity of business entities, which include small enterprises of all forms of ownership and citizens - entrepreneurs, carried out on their own risk and in order to receive profit. Small business is a special form of economic activity, which focuses on commercial success; has an innovative and risky nature; seeks to develop and expand the scope of activities; independently makes management decisions; responsible for property management; continuously carries out activities and does not enter into one-time agreements [1, p.14]. The activity of small business is qualitatively different from large enterprises by a high degree of uncertainty; potentially a higher ability to introduce innovations, continuous development and adaptability to changes [2, p. 55]. The innovative entrepreneurship involves the search for new ways of enterprise development, which allows speaking about the concept of managing growth or innovation. Innovative entrepreneurship is fully based on innovations, and the result of such activities is either a new product or a product with fundamentally new characteristics or properties, or new technologies. We can summarize features, that are qualitative characteristics of innovative small business: - enterprise's independence; - achievement of individual results; - connection in one person of an entrepreneur, investor and manager; - significant impact of entrepreneur's personality on the business; - non formal nature of the links between employees and the entrepreneur; - the prevalence of tactical thinking and short-term decisions.

The role and place of small business in the national economy is manifested by its functions, the main of them:

1. Formation of a competitive environment. Small business helps to establish a competitive relationship, because it is antitrust in nature.

2. Small business provides the market economy with the necessary flexibility because of the rapid individualization of consumer demand, accelerating scientific and technological progress, and increasing the range of industrial goods and services.

3. The contribution of small businesses to the breakthrough in many important areas of scientific and technological progress, especially in the field of electronics, cybernetics, and informatics is significant.

4. Small entrepreneurship makes a significant contribution to solving the problem of employment by creating new jobs and absorbing excess labor during cyclical recessions and structural changes in the economy.

5. An important function of small business is in mitigating social tension and democratization of market relations, because it is the fundamental foundation for the formation of the middle class [3].

The activity of small business in Ukraine is rather vulnerable and is associated with increased risk. It depends on a large number of different factors, which influence the processes of their development and sustainable functioning. Today in Ukraine, the number of small enterprises per 10000 inhabitants is about 70 units, which is 24.7 times less than in the USA. In Ukraine, the number of employed in small businesses is about 2145 thousand people. At the same time, the share of employed in small and medium-sized enterprises in the US and France is 54%, in Japan 78%. Multi-sized enterprises in developed countries create more than half of GDP. In the EU, the share of small enterprises in GDP is 63-67%. The share of small business in Ukraine is 12-15%, which is 5-6 times less than in the EU [4].

The creation of innovative small enterprises in Ukraine has several advantages over large enterprises: small business activates the structural restructuring of the economy, because the gross domestic product is produced in small and medium enterprises; small business creates additional jobs for the manufacturer and the consumer and gives wide freedom of market choice; small business enterprises react promptly to changes in consumer demand, because small enterprises with a minimal expense can switch to the production of demanded products; small business gives an opportunity to overcome the industry monopoly of production, as a monopoly leads to higher prices; small business provides market competition, helps to fill the market with demanded goods, services, rapid return on costs, timely response to demand changes; small and medium enterprises are a significant source of local budget revenues [5].

The financial problems of small businesses:

1. The ineffectiveness of Ukrainian tax system, which involves over-inflated taxes for small businesses, unjustified number of inspections, ineffective privileges and, consequently, creation of prerequisites for the development of the shadow economy.

2. High administrative barriers: excessive complexity of opening and licensing of new enterprises, the huge number of control, a large number of imperfect and often changing laws and ineffective customs and tariff policies.

3. Lack of effective state support and protection of small businesses.

4. Lack of a well-developed system of information centers and small business support infrastructure.

5. The level of wages and the legalization of labor relations is still one of the main problems for small businesses.

6 High level of shadow in small business, bureaucracy and tax pressure.

7. The inability to compete with large businesses in terms of production volumes, the sales crisis in the domestic market due to fall in real incomes of citizens and their level of living and well-being.

8. Low level of social protection and social guarantees of entrepreneurs significantly hinders the development of small business.

9. Problems of psychological and professional nature: fear of starting a new business and psychological unwillingness to open a risk innovative business.

To the level of small enterprise's unprofitability, the following factors have directly influence: insufficient level of technical equipment; low managerial level; the desire for maximum independence, while abroad small enterprises work only on conditions of outsourcing, franchising and subcontracting; lack of systems organization and necessary reliable information from standing and conjuncture market [6, p.110].

The development of innovative business will promote following actions:

- The development of innovation infrastructure;
- Scientific and technological progress;
- Innovation's information support;
- International and inside the country cooperation;
- Creating a favorable innovation climate;
- Financial support for innovation.

On our opinion, financial and credit assistance for small business should be formed in the following areas: encouraging commercial banks and other financial non-banking institutions to lend and expand services to small enterprises by exempting from the taxation and providing a state guarantee of repayment of loans; reorientation of budgetary funds aimed at financial and credit support of the small business; activation of the process of formation and operation of non-state guarantee and insurance institutions for servicing small business, increasing their interest; more effective use of foreign aid and active determination of small business position in relations with international financial organizations, promotion of self-organization of small business entities in solving their financial and credit problems through the organization of mutual financing and guarantee institutions [5].

Thus, it is important to make efforts to support and put small innovative business to a new development level, because it has many advantages: promotes economic and social stability of society, performs important economic and social functions, saturates the commodity market, develops the competitive environment, makes the restructuring of production and society, participates in shaping GDP and budget revenues at all levels, ensures employment in the country, increases population's income. Comprehensive small business's support in order to increase its competitiveness is one of the most important measures to reduce social tension and ensure the economic security of the state.

Literature

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