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## ANALYSIS OF MACRO-ECONOMIC INFLUENCE ON DEVELOPMENT OF A SMALL ENTERPRISE IN UKRAINE

*The purpose of the article is to analyze the influence of factors hindering the dynamic and qualitative development of small enterprises in Ukraine. An analysis of the influence of the environment is primarily a means of helping the leader to see, predict and evaluate the impact of various factors on the organization, and based on this information, to adopt the most efficient management. The article examines the state of small business development in Ukraine, analyzes the dynamics of activity of small enterprises, examines factors of the macro environment that influence the development of a small business in Ukraine.*

**Keywords:** small enterprise, macro-environment factors, small enterprise development.

**Relevance of the problem.** Small businesses do not develop in isolation. The great influence on them affects those conditions to which they are forced to adapt in one or another country at one time or another. From these positions, the general and specific conditions for the development of small enterprises are singled out.

In recent years, interest in studying the problems and prospects of small enterprises development and the analysis of the tendencies of changes in this sector of the economy is increasing in Ukraine. These changes show the beginning of a new stage in the development of the small business sector. Therefore, issues related to the study of the problems of the development of small enterprises in Ukraine are becoming increasingly important. Therefore, it is only possible to provide conditions for rapid reaction to change of environment on the basis of their constant monitoring. In connection with this, the actual task of determining the external factors that affect the efficiency of the enterprise becomes.

### **Analysis of recent research and publications.**

The influence of the macro environment on the development of a small enterprise was studied by such domestic scientists as Varnaliy Z.S., Lavrynenko R.A., Bobyl B., Ivanov Yu.B., Petrosyants K.V., Sakharov. Ye.V., Syzonenko V.O., Kolesnyk N.F., Nedilko I.G., A.P. Pavlyuk. We can choose among foreign scientists: M. Albert, I. Ansoff, V. Afanasyev, M. Mezkon, R. Outerman, F. Hedory, D. Thomson, N. Parachina, R. Hall, L. Uswicki, E. Utkin, etc.

However, despite a large number of scientific studies, some issues regarding the role and factors of the macro environment affecting the efficiency of small enterprises in Ukraine have not been sufficiently worked out and necessitate expansion and clarification.

**The purpose of the article** is to analyze the influence of factors hindering the dynamic and qualitative development of small enterprises in Ukraine.

**The main part of research.** Small business as one of the sectors of the economy has long been dominant in the economy of developed countries. As world experience shows, entrepreneurship is an important component of a market economy that provides a fast pace of economic growth, the structure and quality of the gross national

product. This sector is an important part of the market infrastructure. The high level of entrepreneurship development is a necessary component of a market economy, it contributes to maintaining competition in the economy, affecting employment and the labor market, stimulating the formation of the middle class.

For Ukraine, which seeks to join the European community, the problem of accelerating market transformation is extremely acute. Under such conditions, the activation of entrepreneurial activity can lead to significant positive changes in the structure of the gross domestic product, employment of the population of the country, demand and supply of goods and services in the national market and, thus, have a significant positive impact on the domestic economy as a whole [1].

The external environment in Ukraine is complex and unstable. Poverty of the majority of the population, opposition to legislative and executive power, frequent changes in government, large numbers and weakness of political parties, incomplete controversial privatization, energy dependence on other countries, deepening of the economic crisis, extremely unfavorable ecology, high unemployment, significant shadow economy, depreciation of moral qualities – all this is extremely complicated by political and business management. Changes that are constantly occurring in the external environment make small businesses change. Enterprises stop the production of old products and master the production of a new one, are looking for new consumers in the market, use new technological processes, are divided into smaller organizations, or, conversely, merge with others, enter the markets of other countries or cease to operate on them.

The external environment is an objective circumstance, factors surrounding the enterprises in a society (state, world), to which they must adapt. The external environment of small businesses is increasingly becoming a source of problems for modern managers. Actually, the leaders of the higher and, to a certain extent, the middle levels of the most important for society organizations (business, educational, state) under the influence of various events in the world and the state are forced to focus their attention on a rapidly changing environment, take into account its

influence on the internal structure and development of the enterprise [4].

Indicators reflecting the state of development of small businesses in Ukraine presented in a Table 1 [5; 7].

For the last three years, small business has not significantly developed. The number of small enterprises in 2014 has decreased by 8.3% compared to 2013, a slight increase (+ 0.9% in 2015 compared to 2014) does not even allow for 2013. The number of employees every year decreases, in 2014 this indicator decreased by 11.1% compared with 2013, and in 2015 – by 6.2% compared to 2014. Consequently, small business does not perform in Ukraine its main task is to create new ones and increase existing workplaces.

According to Table 1 there is an increase in sales volumes. So in 2014, the volume of sales went up by 8.8% compared to 2013, and in 2015 – by 28.1% compared to 2014. This trend, despite the negative indicators for the number of small enterprises and the number of employees employed by them may indicate flexibility and mobility, and, consequently, increase the competitiveness of these structures in the market environment, on the one hand. On the other hand, such indicators may be the result of inflationary processes in the Ukrainian economy, in particular, the increase in the prices of sales of small enterprises, which can not be considered as a positive result in their activity.

The share of small enterprises in the GDP of the country in 2014 decreased by 15.1% compared with 2013 and by 7.1% in 2015 compared to 2014 whereas in the countries of the European Union, the USA, Japan, the share of small of enterprises in GDP is about 60% [5].

Today the small business sector in Ukraine is not yet sufficiently developed, therefore it can not fully fulfill the functions assigned to it by the society. Its development is uneven and chaotic. The unfavorable macro- and microeconomic environment generates a huge amount of inconvenience, which impede the dynamic and qualitative development of small business in Ukraine. So, the problems that can be highlighted are:

- The general state of the economy of Ukraine. The tendency of small business development is directly influenced by the negative dynamics of the main macroeconomic indicators. Entrepreneurship functions as one of the elements of a real economic system, therefore, it responds to all changes (positive and negative) that take place in the national economy;

- Lack of sufficient start-up capital, own financial resources, raw materials, materials and equipment. The decisive goal of establishing a small business in Ukraine is to solve the problem of financial provision of its activities, that is, the creation of a sufficient financial base;

- Undeveloped real estate market. Small businesses are in dire disadvantage of office space and production space. The rent is very high, the rules of the lease are intricate;

- The difficulty of registration. Registration remains a costly, complicated and lengthy procedure. A large number of acts for registration creates ideal conditions for abuse by government agencies. Thus, the development of entrepreneurship in the country is restrained already at the first stage of establishment of the enterprise (registration, legal registration of the enterprise, licensing, opening of accounts in the bank, etc.). However, there are alternative ways to register, such as "one window". However, the positive side of this method (such as time saving, constant updates, the availability of additional features, the automatic creation of an electronic archive, etc.) are accompanied by a number of shortcomings of the program, namely: for reporting online through the Internet to pay, work with different keys, inconvenience in installation programs, etc.;

- Imperfection of the tax system. The tax issue is the most important one among the pressing problems of doing business in Ukraine. With the modern tax system, the state has created favorable conditions for enterprises to leave the shadow economy. So because of high deductions to the wage bill, to social insurance, many small businesses conduct double accounting and pay fake wages. Most enterprises in one way or another conceal their incomes to pay less tax. Inefficient taxation is seen as a major obstacle to the development of small businesses;

- Problems with access to credit, mortgage lag, high interest rates of commercial banks. As a rule, small business subjects need to receive small and long-term loans with a uniform debt repayment. However, not everyone can pay at relatively high interest rates. In turn, commercial banks are reluctant to develop relationships with small businesses because of the increased risk of repayment of loans. Another disadvantage of lending to small businesses is that bankers are finding it difficult to "track" borrowers who work "in the shadows" and conduct double-counting;

- Shadow economy. The shadow economy has a significant impact on all socioeconomic processes that take place in society. Ignoring such a multifaceted and controversial phenomenon leads to serious mistakes in the definition of macroeconomic indicators, inadequate assessment of the most important processes and trends, tactical and strategic calculations when making appropriate management decisions;

- High level of corruption, instability of business conditions, bureaucracy, racket. Depending on which economic culture dominates in the country, the risk and costs of doing business increase or decrease. This is very important for domestic entrepreneurs and for foreign

Table 1

Dynamics of Small Business Development in Ukraine

Indicators	2013	2014	2015	2014/2013		2015/2014	
				±	%	±	%
Number of small enterprises, ths.	354,1	324,6	327,8	-29,5	91,7	3,2	100,9
Hired workers, thousands of people.	1,8	1,6	1,5	-0,2	88,9	-0,1	93,8
for one enterprise, per.	6	5	5	-1	83,3	0	0
Volume of sales, mln.UAH.	648,1	705,0	903,3	56,9	108,8	198,3	128,1
In total volume of sales, %	16,4	16,9	18,2	0,5	103	1,3	107,7
Share in GDP, %	19,9	16,9	15,7	-3	84,9	-1,2	92,9

partners. Unfortunately, Ukraine belongs to countries where entrepreneurship is a high-risk business and large informal expenses. There is now a general disrespect for laws, tax evasion, and the strengthening of personal, informal ties created by corruption and bribery. Corruption refers to the main informal factors that hamper the development of entrepreneurial activity in Ukraine;

– Underdeveloped infrastructure for the support and development of small enterprises. Despite the large number of infrastructure objects (business centers, business incubators, technology parks, information and advisory institutions, public associations of entrepreneurs), their role in the development of small business in Ukraine is still very small;

– Insufficient state support. To date, Ukraine has not yet developed an effective system of state support and protection of small business. There is a weak funding and lending mechanism, there is poor information and consulting support, and an inadequate training and retraining system. Under state support it is necessary [1].

All of these macroeconomic factors that impede the dynamic and qualitative development of small business in Ukraine can be illustrated in Fig. 1 [6].

A general list of factors that have the most negative impact on the development of the area of small enterprises in Ukraine consists of 9 positions. The rating is headed by an unfavorable economic situation in the country – 54%. This is equally important negative factor for both individual entrepreneurs and legal entities. The second most important obstacle for small businesses is the lack of

a market for goods / services – 53%. The third place in the rating is the lack of financial capacity – 44%, which holds entrepreneurs from investing.

For 32% of respondents, the obstacle to business development is political instability, and for 26% of respondents there is a severe competition.

The sixth place in the rating is the lack of qualified employees (22%), which includes the lack of practical skills of entrepreneurship in the conduct of business, the imperfection of the system of training, retraining and staff training for entrepreneurship.

The last places in the rating, but not the last in importance, occupy high rates on loans – 19%, the war in the east – 18% and corruption – 17% (Figure 1).

The rating of the main obstacles for the development of small enterprises in 2016 has become such (Figure 2) [6].

The first place is shortage of orders / low demand – 59%. The second place in the rating is an unstable political situation – 44%. The third group of problems that impedes the growth of small businesses is associated with high tax rates (35%). The fourth group of problems involves burdensome tax administration, accounting (27%). Fifth place was divided between groups of problems related to inflation and the frequent change in economic legislation – 26%. The sixth place in the rating is covered by problems related to high regulatory pressure (23%) and corruption (23%), which leads to unstable business conditions, bureaucracy and racket. That last place was divided into such groups of problems as the war in the East of Ukraine and the shortage of skilled workers – 20%.

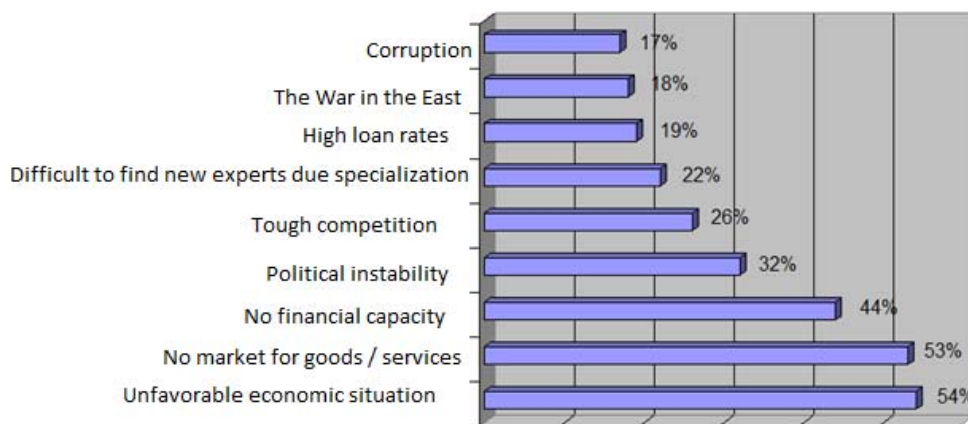


Figure 1. Obstacles to the development of small businesses in Ukraine

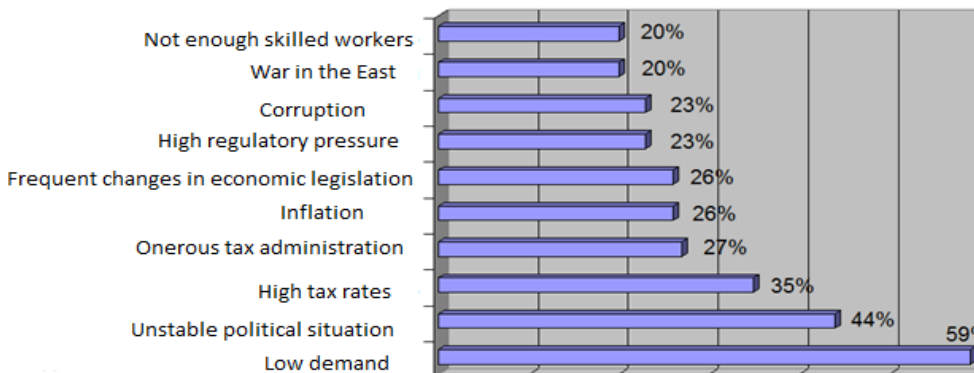


Figure 2. The main obstacles to the development of small enterprises in 2016

After analyzing the situation, it can be concluded that the unstable political situation, low demand, tax pressure, inflation and complicated tax administration were the most important obstacles for small enterprises. Despite the fact that corruption is considered to be a significant business climate problem in Ukraine, it is one of the last places in the rating. And the unfavorable economic situation is the main reason why companies do not plan to grow in subsequent years. It should be borne in mind that, with all positive assessments, small enterprises in Ukraine "survive" primarily due to the high intensity of labor on

them, including a larger working day, lower wages, savings on safety and working conditions, low organization and self-consciousness of hired workers [1].

**Conclusion.** So the development of small business in Ukraine is a significant under-utilized economic growth reserve. Its activation is one of the key priorities of the regulation of the socio-economic growth of Ukraine's economy. But today there is a huge amount of obstacles that hinder the dynamic and qualitative development of small businesses in Ukraine. Therefore, this sector cannot evolve and function to the fullest extent.

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