

DOI 10.31558/2307-2318.2020.4.30

УДК 339.96

JEL F15, L26.

**Voronin A.**

Associate Professor, Docent,
Department of Entrepreneurship, Corporate and Spatial Economics,
Vasyl' Stus Donetsk National University
ORCID: 0000-0002-8788-9644
a.voronin@donnu.edu.ua

EUROPEAN INTEGRATION AND SUPPORT FOR SMALL AND MEDIUM ENTERPRISES IN UKRAINE

The article defines the criteria for the distribution of enterprises by their size. A comparative analysis of the development of small and medium enterprises in Ukraine by key indicators, the main trends in the development of small business. A comparative assessment of small business development indicators in Ukraine and the EU is given. The main reasons for the unsatisfactory state of small business development in Ukraine have been identified. The main proposals on possible ways to solve the problems of small business are summarized. The issue of state support for small and medium enterprises in the European Union has been studied. The main goals and principles of small business support in developed countries are outlined, the main mechanisms aimed at the development of small and medium enterprises in Ukraine are presented. The consequences of the impact of European integration processes on the development of small and medium enterprises in Ukraine are determined. Aspects of adjustment of the government policy in the field of business, in modern conditions of integration processes are considered. The systems of business regulation of the EU and Ukraine are analyzed, and recommendations from the experience of European countries for our country are generalized.

Key words: European integration, small and medium enterprises, entrepreneurship, business regulation, tax administration.

Fig. – 1, tabl. – 1, ref. – 14.

Problem statement. Small business is a tool for accelerating economic growth in both developed and developing countries, has positive externalities for the economy and social benefits, and makes a significant contribution to social stability, employment, and development of innovative technologies. The current direction of economic growth in developed countries is based on the use of innovation and new knowledge. Scientific achievements are an integral part of economic processes, the participants of which are individual business entities, including small businesses. Formation and development of small business is an important area of economic policy of any country. Small business is a direct participant in the formation of economic growth, structure, quality of gross national product and so on. The small and medium business sector is characterized by a high level of dynamism, flexibility, innovation activity, the ability to quickly create new industries and, accordingly, new jobs, 99.98% of legal entities and individual entrepreneurs (PE) registered in Ukraine belong to small and medium enterprises. More than 6.9 million people, or about 82%

of all employees, operate in the SME sector. The sector accounts for 65% of sales of goods, works and services and 64% of gross value added.

The experience of the world shows that the efficiency of the economy depends on the optimal development of small, medium and large businesses. At the same time, small and medium business is the basis of socio-economic development. The European Union, as a strategic and largest trading partner of Ukraine, has been supporting Ukrainian SMEs for over 10 years within the EU initiative EU4Business. Now this cooperation is not only not curtailed, but on the contrary - strengthened. To overcome the effects of the epidemic, the EU has mobilized an emergency aid package of more than 190 million euros for Ukraine. Of this amount, the largest share will go to support SMEs.

Analysis of research and publications. Researchers such as I. Anatska, D. Antonyuk, I. Bila, S. Gromenkova, T Kuzhda, N. Salatyuk, O. Sorokivska, V. Turchak and others.

Despite the large number of developments on this issue, it remains relevant today, in need of research.

Setting goals. The purpose of the study is to summarize foreign experience in the organization and development of small business and study of European integration processes in the field of entrepreneurship in Ukraine.

Main material. The share of SMEs in the economy of Ukraine corresponds to the indicators of the European Union (which, in turn, differ between countries, but insignificantly). However, there is one exception. If in the EU sales and gross value added are distributed approximately equally between micro, small and medium-sized enterprises (and in the case of employment micro accounts for almost half of total SMEs), Ukraine is dominated by medium-sized enterprises (for EU purposes only distribution by number of employees).

The branch structure also differs. Moreover, in most industries the share of SMEs in Ukraine is higher than in Europe. The indicators for water supply and waste treatment, as well as for information and telecommunications are particularly different.

In the first case, this can be explained by the legal structure (each water utility is a local natural monopoly, but they could be bought out by large holdings, while in Ukraine they are separate utilities). In the case of telecommunications, the difference can be explained by the fact that in Ukraine the consolidation of the market (primarily communication) is not yet complete, and it remains relatively low.

On the other hand, Ukraine has a much smaller share of SMEs in sectors such as mining and professional services. The lower concentration of extraction in the EU can be explained by the effect of the size of the territory and the greater diversity of mineral species. In addition, better process equipment can make extraction profitable on a smaller scale. Finally, regulatory barriers can be more serious. As for professional services, the difference can be explained by the large share of shadows in Ukraine.

Eurostat does not provide a breakdown by size of enterprises in agriculture, so it is impossible to compare this sector.

A comparison of employment made it possible to draw another conclusion. The share of SMEs in Ukraine is higher than in the EU, which may indicate lower productivity in this sector in Ukraine.

Table 1 shows the indicators of Ukraine in the Index of SME Policy, 2020 compared to 2016.

In 2014, the government launched a wide range of reforms, including structural reforms in all sectors of the economy, in order to fulfill its obligations under the EU-Ukraine Association Agreement. Key priorities include deregulation, judicial reform, tax administration, and an enhanced anti-corruption program. However, this progress was

recognized after the improvement of Ukraine's performance in foreign trade, electricity generation, construction permits and protection of minority investors according to the World Bank's Doing Business ranking, in which Ukraine ranked 64th in 2020, ranking 19th. higher than in 2016 [2].

Table 1 - Restrictions on the conduct and taxation of individual entrepreneur*

Component	Direction	Ukraine 2020	Ukraine 2016	JV average value 2020	Ukraine 2020 (methodology 2016)
A	Institutional and legislative framework	3,50	2,45	3,74	3,50
	Conditions of activity	3,55	3,81	3,92	3,89
	Bankruptcy and a second chance	2,56	2,05	2,85	2,38
B	Entrepreneurship Education / Entrepreneurship among women	3,98	2,25	3,58	No data available
	SME skills	3,19	2,56	3,36	No data available
C	Access to finance	3,31	3,22	3,57	3,23
D	Government Procurement	3,17	2,73	3,49	3,17
	Standards and technical standards	3,55	4,34	3,43	3,81
	Internationalization	2,64	1,63	2,96	3,02
E	Business development services	2,90	1,84	3,53	2,90
	Innovation policy	2,28	1,86	2,92	2,35
	Eco-oriented economy	2,54	1,22	2,77	2,54

* Source [1]

The country ranked below 85th in the Global Economic Competitiveness Index (GIC) of the World Economic Forum for 2019, which partly reflects the wider range of issues listed in the index [3]. The IGC points to the existing shortcomings of Ukraine's institutions, financial system and innovation potential.

The framework document, which introduces the basics of regulating the activities of SMEs in EU member states, is the Small Business Act for Europe. It sets out a comprehensive SME policy based on ten fundamental principles:

1. Creating a favorable business environment in which SMEs can thrive;
2. Giving a second chance to bona fide SMEs;
3. "Think small first";

According to this principle, the interests of SMEs should be taken into account from the first stages of policy-making in any area, which makes it possible to develop SME-friendly legislation. The tools that ensure the effective implementation of this principle are:

- SME test;
- Inclusion in the legislation of provisions that allow to avoid excessive regulatory burden for SMEs;
- Conducting effective consultations with SMEs;
- Introduction of the institute of SME representatives;
- Establishing common dates for the application of regulatory changes (legislation governing business activities enters into force only on pre-determined dates, which simplifies the preparation for such changes for SMEs).

4. Orientation of government bodies to the interests of SMEs, which provides for the maximum simplification of interaction of SMEs with the state through the introduction of e-government and "single window" mechanisms;

5. Adapting public policy instruments to the needs of SMEs by developing simplified schemes for SMEs' access to state aid and public procurement;

6. Facilitating SMEs' access to finance, including venture capital, microcredit and other financial instruments, as well as creating a favorable legal and business environment for timely settlement of contracts (The Late Payment Directive strengthens businesses' rights to prompt payment);

7. Promoting SMEs to make fuller use of the opportunities offered by the EU internal market;

8. Encouraging SME representatives to improve their skills and innovate;

9. Promoting SMEs to use environmental challenges as new opportunities;

10. Supporting SMEs in taking advantage of the growth of foreign markets.

In the future, Ukraine must ensure the sustainability of the institutional framework for SME policy, pursue deregulation reform, implement consistent anti-corruption legislation, and provide greater budgetary independence to the antitrust authority.

The European Commission has approved the Entrepreneurship Action Plan, which introduces support for entrepreneurship education and creates tools to support the aspirations of entrepreneurs. Small businesses in the EU also have a European Charter for Small Enterprises, which Ukraine signed in 2000.

The European Commission ensures the functioning of the main support networks and the availability of information for SMEs:

1. Your Europe business portal is a practical guide for doing business in Europe. It provides entrepreneurs with information and interactive services that help develop business abroad [4];

2. The Enterprise Europe Network helps SMEs to access market information, overcome legal barriers and find potential business partners [5];

3. The SME Internationalization support page provides information on foreign markets and helps SMEs to internationalize their activities [6];

4. The single portal "Access to Finance" helps SMEs to find finance with EU support [7].

EU SME policy gives SMEs the following benefits:

1. Eligibility for support under SME-oriented business support programs: research funding, competitiveness and innovation funding and similar national support programs that might otherwise be considered incompatible with the internal market (Commission Regulation (EU) No 651 / 2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty);

2. Less stringent requirements and / or preferential rates for administrative services.

During 2014-2020, the program to support the competitiveness of SMEs (COSME, Competitiveness of Enterprises and Small and Medium-sized Enterprises) worth a total of € 2.3 billion. On February 23, 2017, the Verkhovna Rada ratified the Agreement between the Cabinet of Ministers and the European Union on Ukraine's participation in this program. One of the COSME projects is the Erasmus educational program for young entrepreneurs [8].

In accordance with the provisions of Article 282 of the Association Agreement (Association Agreement between Ukraine, of the one part, and the European Union, the European Community

nuclear energy and their Member States, on the other hand), the Parties shall establish and maintain an effective and predictable regulatory environment for businesses engaged in business in their territory, especially for small ones, with due regard to legal certainty and proportionality.

Article 378 of the Association Agreement provides that the Parties shall develop and strengthen cooperation on industrial and business policy issues and thus improve the business environment for all economic operators, with a special focus on SMEs.

In-depth cooperation should improve the administrative structure and regulatory framework for Ukrainian and European businesses in Ukraine and the EU and should be based on EU policy on SME and industrial development, taking into account internationally recognized principles and practices in these areas.

Peculiarities of regulating legal relations with the participation of SMEs in various areas are contained in the directives and regulations that Ukraine must implement in accordance with the Association Agreement and the Action Plan for the implementation of the Association Agreement approved by the Cabinet of Ministers of October 25, 2017 № 1106, including:

- Directive 2013/34 / EC regarding the establishment of criteria for the classification of enterprises as micro, small, medium and large enterprises for accounting purposes;
- Commission Regulation (EU) № 651/2014 regarding the definition of criteria for assessing the eligibility of state aid to ensure the development of regions and to support small and medium-sized enterprises;
- Directive 2014/65 / EU regarding the establishment of the peculiarities of the functioning of alternative trading systems for small and medium-sized enterprises.

In November 2019, the Cabinet of Ministers of Ukraine opened access to the "Pulse of the Agreement" [9] - an online system for monitoring the implementation of the Action Plan for the implementation of the Association Agreement with the EU. The "Pulse of the Agreement" reflects the current progress of implementation of measures within each year and the overall progress of implementation, starting with the provisional application of certain provisions of the Agreement in 2014 and until 2024.

According to the Pulse of the Agreement system, the progress of tasks under the section "Entrepreneurship" is 76%. In 2018, progress was 89%, in 2019 - 73%. The lag behind the schedule began almost from the beginning of the implementation of the Agreement, in 2015. Most tasks for 2020 are assessed as being at risk (progress - 0-50%). In particular, the implementation of the Strategy for the Development of Small and Medium-Sized Enterprises of Ukraine for the period up to 2020 is estimated at 30%.

The broader framework for cooperation between Ukraine and the EU is the Eastern Partnership initiative. The European Union is paying close attention to building relations with the East's partner countries on the basis of the "20 achievements by 2020", which were formally approved at the East Summit in November 2017. The final declaration of the summit identifies concrete results to be achieved East until 2020. Priority area I. "Economic development and market opportunities" contains a section "Small and medium business and regulatory environment".

The goals of this section, which should be achieved by 2020, in one way or another correlate with the content of the Association Agreement [10].

1. At least 10 thousand additional SME enterprises will benefit from EU support (80% of them - in the DCFTA countries) since the end of 2016. At least 60 thousand jobs have been created and / or are stable since the end of 2016. The purpose complements and clarifies the provisions of the Agreement. The task clarifies paragraph "f" of Art. 379 of Chapter 10 of the

Agreement. The Action Plan for the implementation of Section V of the Agreement sets out the objectives in part in paragraphs 38 and 43, but does not provide for specific measures to achieve them.

2. By 2019, the EaP countries should increase their performance under the OECD Small Business Act for Europe by 10% in terms of regulatory framework, operational environment and SME support (compared to 2015). The aim duplicates the provisions of the Agreement. The task corresponds to point "a" of Art. 379 of the Agreement and the goals and objectives set out in paragraph 39 of the Action Plan for the implementation of Section V of the Agreement.

3. Throughout the EaP region, dialogue between the private and public sectors (PPD, public-private dialogue) has been institutionalized through appropriate mechanisms (eg, the PPD Platform Steering Board / Advisory Forum, agreed PPD rules). The purpose complements and clarifies the provisions of the Agreement. The task corresponds to point "e" of Art. 379 of the Agreement and item 41 of the Plan of measures on implementation of section V of the Agreement, and also specifies the concrete purposes and tools of their achievement.

4. 150 customer-oriented business support organizations have improved the provision of business development services to SME members, in particular with regard to the requirements of the DCFTA as well as the requirements of the global market. The number of national government assistance programs for SMEs has improved / increased (an SME agency has been set up in each EaP country). An additional purpose that is not expressly provided for in the Agreement. The task generally corresponds to Art. 378 of the Agreement and partially prescribed in paragraph 4 and paragraph 38 of the Action Plan for the implementation of Section V of the Agreement.

5. Establish new regional economic and diplomatic frameworks / frameworks to increase trade and increase investment in the Eastern Partnership region and between the EaP countries. The purpose complements and clarifies the provisions of the Agreement. The task is to clarify paragraph "b" of Art. 379 of Chapter 10 of the Agreement and partially prescribed in Clause 3, Clause 5 and Clause 38 of the Action Plan for the Implementation of Section V of the Agreement.

Following the results of 2019, the processes for the implementation of the Strategy for the Development of Small and Medium-Sized Enterprises, which takes into account the principles set out in the Small Business Act for Europe, have intensified. A significant contribution to the implementation of the strategy and support for SMEs in Ukraine has been made thanks to the EU4Business initiative.

In particular, a number of relevant projects are currently being implemented and the Office for the Development of Small and Medium-Sized Enterprises under the Ministry of Economic Development, Trade and Agriculture of Ukraine has been established. At the same time, the EU4Business program facilitated the opening of business support centers in 15 regions of Ukraine. East business forums continue to be the main tool for regional economic diplomacy [11].

Within the framework of the East, the EU4Business initiative aims to improve the business climate in the partner countries. For Ukraine, the initiative's programs make it easier to obtain funding for SMEs, provide training and targeted support for women-led enterprises and those working in the green economy. SMEs receive technical support to comply with EU standards, which will allow them to increase exports and benefit from the free trade agreement between Ukraine and the EU.

The SME Development Strategy of Ukraine for 2017-2020 is shown in Figure 1.

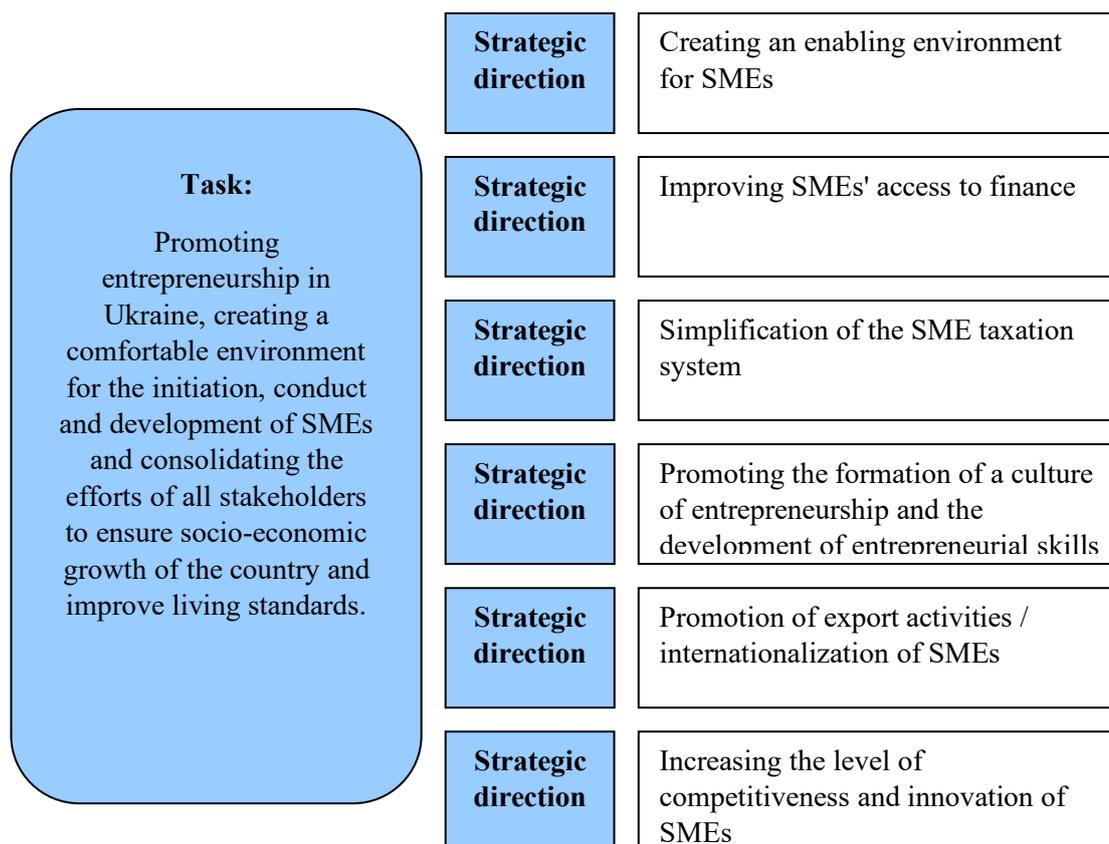


Figure 1 - SME Development Strategy of Ukraine for 2017-2020 *

* Source [12]

According to the report for 2019, the indicators of the initiative continued to grow. The total number of projects in Ukraine is 22, of which the largest group focuses on improving access to finance. Of the 22 projects, six have been completed and the rest are ongoing with a total cost of almost € 173.2 million. EU funds have launched additional loans and financial assistance in the country, which has almost tripled. This has benefited 3,228 Ukrainian SMEs and created an estimated 7,266 new jobs in addition to those that have been retained [13].

Conclusions. First of all, Ukraine must continue to strengthen its institutional base to create an enabling environment for SME growth.

The newly established SME Coordinating Council is an important step in the right direction, but the Council needs adequate resources to work effectively and fulfill its responsibilities. Along with facilitating coordination between central and local authorities in the process of implementing the strategy, the Council could become an appropriate platform for dialogue between the public and private sectors. In addition, Ukraine should systematically assess the regulatory impact on SME policy and monitor data on deregistration of liquidated enterprises.

Second, considerable attention should be paid to further improving access to finance for small and medium-sized enterprises. Ukraine should work more closely with international partners to expand SME access to finance and make greater use of credit guarantee schemes, supporting financing by non-banking institutions, for example by reforming the factoring base. More broadly, Ukraine needs to continue to support competition in the banking sector,

which will become critical in the long run to providing affordable financing for SMEs. Additional elements include simplifying the tax administration system and ensuring the stability of tax revenues and refunds.

Third, Ukraine needs to take additional measures to acquire skills and develop an entrepreneurial culture. Along with collecting statistics on skills development and social entrepreneurship, Ukraine should join the Global Entrepreneurship Monitoring to analyze attitudes towards business and entrepreneurship.

REFERENCES

1. SME Policy Index: Eastern Partnership 2020. URL: <https://www.oecd.org/global-relations/SMEPI-EaP-2020-Ukraine.pdf>
2. World Bank, 2019. URL: <https://openknowledge.worldbank.org/handle/10986/32333>
3. World Economic Forum, 2019 <https://www.weforum.org/reports/annual-report-2018-2019>
4. Practical guide to doing business in Europe. URL: https://europa.eu/youreurope/business/index_en.htm
5. Enterprise Europe Network. URL: <https://een.ec.europa.eu/>
6. Support for SME Internationalisation beyond the EU. URL: https://ec.europa.eu/growth/smes/access-to-markets/internationalisation/support-tools_en
7. Access to finance for SMEs. URL: https://ec.europa.eu/growth/access-to-finance_en
8. Erasmus for Young Entrepreneurs. URL: <https://www.erasmus-entrepreneurs.eu/>
9. Pulse Deal. Monitoring the implementation of the action plan for the implementation of the Association Agreement with the EU. URL: <http://pulse.eu-ua.org>
10. Comparative analysis of "20 expected achievements of the Eastern Partnership by 2020" with the provisions of the Association Agreement: what is the added value for Ukraine-EU relations? URL: <https://www.civic-synergy.org.ua/analytics/porivnyalnyj-analiz-20-ochikuvanyh-dosyagnen-shidnogo-partnerstva-do-2020-r-zpolozhennyamy-ugody-pro-asotsiatsiyu-yakoyu-ye-dodana-vartist-dlya-vidnosyn-ukrayina-yes/>
12. CMU (2017), Strategy for the Development of Small and Medium-Sized Enterprises in Ukraine for the period up to 2020, Cabinet of Ministers of Ukraine. URL: <https://zakon.rada.gov.ua/laws/show/504-2017-%D1%80#n8>.
13. EU4Business. Investing in SMEs in the Eastern Partnership. Ukraine. Country Report. June 2019. URL: http://eu4business.eu/files/medias/country_report_2019_ukraine.pdf
14. Website of the State Statistics Service of Ukraine. URL: http://www.ukrstat.gov.ua/operativ/menu/menu_u/zed.htm

Воронін А.В.

ЄВРОПЕЙСЬКА ІНТЕГРАЦІЯ ТА ПІДТРИМКА МАЛОГО ТА СЕРЕДНЬОГО ПІДПРИЄМНИЦТВА В УКРАЇНІ

У статті визначено критерії розподілу підприємств за їх розмірами. Проведено порівняльний аналіз розвитку малих та середніх підприємств в Україні за ключовими показниками, встановлено основні тенденції розвитку малого підприємництва. Надано порівняльну оцінку показників розвитку малого бізнесу в Україні та ЄС. Встановлено основні причини незадовільного стану розвитку малого підприємництва в Україні. Узагальнено основні пропозиції щодо можливих шляхів вирішення проблем малого підприємництва. Досліджено питання державної підтримки суб'єктів малого та

середнього підприємництва в країнах Європейського Союзу. Викладено основні цілі та принципи підтримки малого бізнесу в розвинених країнах, наведено основні механізми, спрямовані на розвиток малого і середнього підприємництва в Україні. Визначено наслідки впливу євроінтеграційних процесів на розвиток малого та середнього підприємництва в Україні. Розглянуті аспекти корегування політики уряду в галузі підприємництва, у сучасних умовах інтеграційних процесів. Проаналізовано системи регулювання підприємницької діяльності ЄС та України, й узагальнені рекомендації із досвіду європейських країн для нашої держави.

Ключові слова: євроінтеграція, малі та середні підприємства, підприємництво, регулювання підприємницької діяльності, адміністрування податків.

Рис. – 1, табл. – 1, літ. – 14

Воронин А.В.

ЕВРОПЕЙСКАЯ ИНТЕГРАЦИЯ И ПОДДЕРЖКА МАЛОГО И СРЕДНЕГО ПРЕДПРИНИМАТЕЛЬСТВА В УКРАИНЕ

В статье определены критерии распределения предприятий по их размерам. Проведен сравнительный анализ развития малых и средних предприятий в Украине по ключевым показателям, установлены основные тенденции развития малого предпринимательства. Представлена сравнительная оценка показателей развития малого бизнеса в Украине и ЕС. Установлены основные причины неудовлетворительного состояния развития малого предпринимательства в Украине. Обобщены основные предложения относительно возможных путей решения проблем малого предпринимательства. Исследован вопрос государственной поддержки субъектов малого и среднего предпринимательства в странах Европейского Союза. Изложены основные цели и принципы поддержки малого бизнеса в развитых странах, приведены основные механизмы, направленные на развитие малого и среднего предпринимательства в Украине. Определены последствия влияния евроинтеграционных процессов на развитие малого и среднего предпринимательства в Украине. Рассмотрены аспекты корректировки политики правительства в области предпринимательства, в современных условиях интеграционных процессов. Проанализированы системы регулирования предпринимательской деятельности ЕС и Украины, и обобщенные рекомендации из опыта европейских стран для нашего государства.

Ключевые слова: евроинтеграция, малые и средние предприятия, предпринимательство, регулирование предпринимательской деятельности, администрирование налогов.

Рис. – 1, табл. – 1, лит. – 14.