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DEVELOPMENT OF SMALL AND MEDIUM ENTREPRENEURSHIP AT THE REGIONAL LEVEL

The stages of introduction of regional development programs in Ukraine, their place and role at all levels of development and functioning of small enterprises in modern conditions are considered. The priority directions and obligatory components of the regional development program are suggested on the example of the Lviv region. The important issues hindering the development of small enterprises at the regional level, the consideration and solution of which would have a positive effect on the state of small entrepreneurship in the future, is emphasized.

Key words: regional development program, small enterprise / entrepreneurship, infrastructure of entrepreneurship, regional development.

Small entrepreneurship plays an important role in the socio-economic development of both, the country and the region, the region and the city as a leading sector of the market economy, which ensures the market's richness of goods and services, promotes healthy competition, satisfies the consumer demand of the population and creates new jobs. The very small enterprise is the fundamental basis for the formation of the middle class, which, unfortunately, has not yet been formed in Ukraine. State regional programs for the development of small enterprise contribute to the most complete harmonization of territorial and industrial interests, create real prerequisites for convergence and equalization of levels of production and consumption in all regions.

Researchers, working on the problems of modernization of the national economy, pay attention to the study of the factors, which influence the processes of formation and implementation of regional programs for the development and operation of small enterprises. An important scientific contribution to the study of this problem was made by B. Adamov, O. Amosha, L. Antoniuk, G. Atamanchuk, Yu. Bazhala, P. Brown, V. Vakulenko, S. Varnaliya, L. Vorotina, V. Heitsia, B. Hohwood, M. Dolishnii, O. Valevskyi, O. Kiliyevych, S. Kireyev, M. Krupka, D. Liapina, O. Obolenskyi, L. Osetskyi, L. Pal, O. Piskunova, N. Poltorak, V. Rebkal, V. Romanov, V. Savchuk, J. Sullivan, V. Tertychka, O. Fedirko, M. Chumachenko, L. Shevchuk, J. Schumpeter.

Despite the considerable researches of the above-mentioned authors, there is a need to systematize new approaches and develop modern ways of harmonization to implement effective programs for the development of small entrepreneurship.

The scientific research is stipulated by the necessity for a theoretical justification concerning the improvement of regional entrepreneurship development programs in the context of global transformations. Taking into account the regional peculiarities and priorities of small entrepreneurship functioning would contribute to the increase of socio-economic indicators at all levels, which would enable Ukraine to become a fully-fledged, competitive player in the European and world markets.

One of the strategic goals of the state strategy of regional development of Ukraine until 2015 [1] is to increase the competitiveness of the regions and strengthen their resource

potential. Among the tasks planned to achieve this goal is the support of small and medium enterprises.

According to the mentioned strategy, the assistance provided under the regional development policy for the development of small and medium-sized enterprises is aimed at:

- deepening the regulatory reform aimed at simplifying registration, licensing and business start-up procedures (widespread introduction of the application principle for obtaining permits necessary for the start-up of business entities, procedures for obtaining permits in a single office);

- the development of the financial services market, the formation of a network of regional funds for supporting entrepreneurship and credit and guarantee institutions, the introduction of effective credit and guarantee mechanisms for micro-crediting of small enterprises, attracting foreign credit resources on a reasonable basis to finance small entrepreneurship, financing young start-up entrepreneurs;

- increasing motivation for local authorities to create a favorable climate for small and medium-sized enterprises by increasing the share of tax revenues remaining in local budgets;

- deepening the innovative direction of entrepreneurship development, stimulation of venture business, introduction of effective mechanisms of legal, financial, organizational, personnel and educational support of perspective innovative projects in the sphere of small enterprises;

- preparing a new generation of entrepreneurs, expanding the network of educational institutions that would train specialists in the field of “Entrepreneurship”.

The first stage of the formation of a new state policy on small enterprise, which in the future should become one of the important sectors of the economy, is the introduction of regional targeted entrepreneurship support programs. In implementing these programs, regional executive authorities should support viable economic structures that are consistent with the goals and directions of the region’s development. Financial support for such programs is carried out both at the expense of the funds of local budgets, existing specialized funds, funds of the population, and international financial organizations. Within the framework of regional targeted programs of small enterprise support, a set of interrelated measures can be implemented that would create favorable conditions for its formation and effective development:

- formation of information and consulting environment for complex service of enterprises, as well as provision of feedback with the evaluation of the effectiveness of legislative and regulatory acts;

- ensuring the free access of entrepreneurs to the information (legal, normative-reference, marketing, scientific-technological, commercial) in the process of creation and operation of small enterprises;

- introduction of an effective system of training and retraining of personnel for entrepreneurial activity, which would help to cover the training of not only active entrepreneurs, but also those who are just starting their own business;

- creation of a system of loans and financial assistance, mediation in contacts with investment funds, foreign investors;

- development of promising forms of financing (leasing, insurance, promissory notes, etc.);

- creation of a system of material and technical support of small entrepreneurship by leasing production space, non-residential premises of communal property, allocation of land plots;

- formation of an infrastructure environment for small enterprise activity;
- organization of the system of complex support of small entrepreneurship in the field of production of goods and services.

Implementation in each region of measures of regional development programs for small and medium-sized enterprises is an example of directing joint efforts of central, regional and local authorities of state executive power, business associations, and market infrastructure institutions to create a favorable environment for the development of small business (enterprise).

The regional programs for its development play an important role in shaping the infrastructure of entrepreneurship. The use of the regional program mechanism makes it possible to move from general measures to selective support of the most efficient, profitable and necessary region of enterprises, which, in turn, would increase the efficiency of the use of limited regional resources.

The development of a regional program for the development of small entrepreneurship needs to be carried out in accordance with the basic provisions of the Law of Ukraine “On State Support to Small entrepreneurship”, as well as relevant legal and regulatory documents.

The main legal and regulatory documents regulating the development of a regional program are the Regulations of the State Committee of Ukraine on Regulatory Policy and Entrepreneurship, defining its functional tasks [2], methodical recommendations for the formation and implementation of regional small enterprise development programs developed by the above mentioned committee in 2004 and in 2008 [3], which defined the procedure for developing a regional program, its provisions, objectives and implementation.

Strategic priorities of socio-economic policy are defined in the message of the President of Ukraine to the Verkhovna Rada [4]. The need for accelerating European integration and Ukraine’s accession to the World Trade Organization, and hence the necessity to increase the competitiveness of domestic entrepreneurship (businesses), are set out in the Decree of the President of Ukraine “On Some Issues of Ensuring the Competitiveness of the National Economy in the Process of European and Euro-Atlantic Integration” [5]. Thus, taking into account these recommendations, the main strategic reference point is the attraction of the resource potential of the regions, ensuring the development of their scientific and technological and innovative potential, overcoming the depression of the territories, and creating conditions for the formation of a high-tech economic complex in each region, in particular on a cluster basis [6].

For a better understanding of the notion of “regional development”, we note that, according to the Assembly of European Regions: “The region is a territorial formation formed in the legislative order at a level that is directly below the national level and which is endowed with ... self-government” [7]. Consequently, the regional program of entrepreneurship should include all aspects for the socio-economic, territorial, ecological, and political components of development. Only thanks to the prosperity of the regions can we emphasize on an economically stable and powerful state.

The need to increase the economic efficiency of regional business structures poses new challenges to the territories, primarily related to the choice of a competitive model of a regional economy that would enable the most productive and rational use and increase of existing natural resource and human potential.

The development of the program should be based on the following principles: topicality, feasibility, balance, efficiency, realism, purposefulness, predictability, co-ordination,

systemic, consistency, transparency. In accordance with the Law of Ukraine “On State Target Programs” [8], the regional program for small enterprise support is a part of the program of socio-economic development of the region. It follows that the program should be based on the regional strategy, be logical continuation of the regional program of the previous period, taking into account the results of its implementation, and also should coordinate and combine with other programs, in particular, state-targeted, which function in the region.

The system of state regulation of small and medium-sized enterprises has undergone many changes during the years of Ukraine’s independence, has been repeatedly reformed along with the changes that took place in the business environment.

In order to implement the state policy of promoting entrepreneurship, in particular small enterprise, in March 1993 the Cabinet of Ministers of Ukraine adopted the first State Support Program for Entrepreneurship in Ukraine.

The beginning of the new stage in the development of the state policy for supporting small enterprises was the approval by the Cabinet of Ministers of Ukraine of the Concept of the State Policy for the Development of Small Entrepreneurship (April 1996), the declaration of freedom of entrepreneurship in the Constitution of Ukraine. One of the mechanisms for supporting small enterprises was the State Program for the Development of Small Entrepreneurship in Ukraine for the years of 1997-1998, developed by the Ministry of Economy in accordance with the provisions of the Concept of State Policy for the Development of Small Entrepreneurship and approved by the Resolution of the Cabinet of Ministers of Ukraine dated from the January 29, 1997. The purpose of the mentioned program was determined to ensure the sustainable development of small entrepreneurship as an integral part of a market economy and the main factor in creating new jobs (working places).

In 1998, with the creation of the State Committee on Entrepreneurship, the next stage of the state policy of support of small enterprise began. An important step in this direction was the signing by the President of Ukraine of the Decree “On removing constraints hampering the development of entrepreneurial activity”. This Decree defined the principles of a single regulatory policy in the field of entrepreneurship. At the legislative level, there was recognized the need to reduce state interference into the entrepreneurial activity, the refusal from state paternalism in relation to small enterprise, and the creation of an environment conducive to entrepreneurship development by removing administrative bureaucratic barriers. The establishment of the State Entrepreneurship ensured the institutionalization of these political guidelines.

In order to solve the problems of entrepreneurship development, the State Program for the Development of Small Entrepreneurship in Ukraine for the years of 1997-1998 was adopted, developed by the Ministry of Economy in accordance with the provisions of the Concept of the State Policy of Development of Entrepreneurship, approved by the relevant decree of the Cabinet of Ministers of Ukraine. This program is about the key social value of small enterprises, namely: accelerating the process of creating new jobs (which does not require public funding).

Further progress in the implementation of state policy has shown achievements in the field of legal maintenance of entrepreneurial activity. It was during the years of 1998-2000 that key legislative changes were passed, introducing three new types of simplified taxation for Ukraine: fixed tax [9], special trade patent [10] and single tax [11]. Introduction of these methods of taxation contributed to the quantitative increase of small enterprises, which has been observed since 1998.

In 1999-2001, almost 20 decrees of the President of Ukraine on entrepreneurship development were passed, the Verkhovna Rada of Ukraine adopted the Laws of Ukraine “On the Permit System in the Sphere of Economic Activity”, “On State Support to Small Entrepreneurship”, “On the National Program for Promotion of Small enterprise Development” in Ukraine”, as well as “On protection of economic competition”, some of which provide for an exception for small and medium-sized entrepreneurs in the part of the provisions strictly regulating the actions of economic entities in the field of economic competition.

It is worth pointing out that each regional program is being developed on the basis of a comprehensive analysis of regional features: the socio-economic situation in the region, demographic and environmental situation, the state of use of natural, industrial, scientific and technical and labor potential, assessment of the level of entrepreneurship development. Regional programs for the development of small enterprises take into account the priorities and objectives of socio-economic development of the region, financial resources, they are consistent with other programs in the region, which take into account interregional and international agreements and are a logical extension of the regional program of the previous period.

Local executive authorities provide comprehensive resource assistance to small enterprises at the local level by introducing measures for regional small entrepreneurship development programs. In particular, about providing them with a possibility of a rent or gain an ownership for their business activity of unoccupied non-residential premises, production and administrative areas and equipment that are listed in the respective data banks, as well as providing free access to these data.

The main instrument for coordinating entrepreneurship support are regional programs that are developed at different levels of management and are based on two key approaches to state support: the program-target and coordination, where the first forms the objective, ways and means of their implementation, focusing on the final results, comparing the volumes of available and necessary resource support, and the second determines the role and place of each level of management in achieving the set objectives [12].

The development of a set of measures aimed at implementing state support for small enterprises should be directed at forming regional economic conditions with the help of economic and administrative levers of local authorities, each with its own instruments. The instruments of organizational tools for supporting small enterprises include entities and objects of management, as well as information, financial, and resource flows between them. Among the tools of functional levers of support for small enterprises, a number of blocks can be identified, which altogether reflect all functions of the management process: analysis, planning, organization, implementation and control. Instruments of legal and information leverage also have their own complex, but their main elements are related to the elements of organizational and functional management levers.

In the context of recent geopolitical processes, the European experience is close and promising for Ukraine. In the countries of the European Union, the economy is based on small and medium-sized enterprises employing more than 70% of the employed population in the private sector. It should be noted that the policy of individual states and the common European policy in the field of entrepreneurship are the basis for the formation of many European strategies and programs and joint documents, since it affects the interests of a large number of subjects of the international economy and politics, while bearing a considerable social burden.

One of the first programs to support entrepreneurship on the territory of the EU allowed for taking measures to mitigate the state regulation of entrepreneurial activity, eliminating excessive bureaucracy. Among the financial measures of the program, the most significant were the reduction of taxation levels and facilitating access to capital markets. Particular attention is paid today to the cooperation of social partners.

The program for the development of the economic infrastructure of cities and villages should contribute to the equalization of its development. Within the framework of the program, the European Commission has intensively promoted the local infrastructure in order to stimulate the implementation of local economic potential, to create additional jobs in the province. European credits were allocated to programs of environmental control in industry, energy saving and rational use of resources.

European lending programs are complemented by federal programs to support new products and technologies and their market entry. Within the programs of support of medium and small enterprises in the 90-ies of the twentieth century the EBRD has allocated almost 10 billion euro annually. These funds provided funding for capital investments, in particular long-term projects for the creation of new firms, innovations and environmental protection projects.

In a view of the above mentioned, the regional development program of Lviv Oblast should include the following main priority areas, as is shown in Fig. 1.

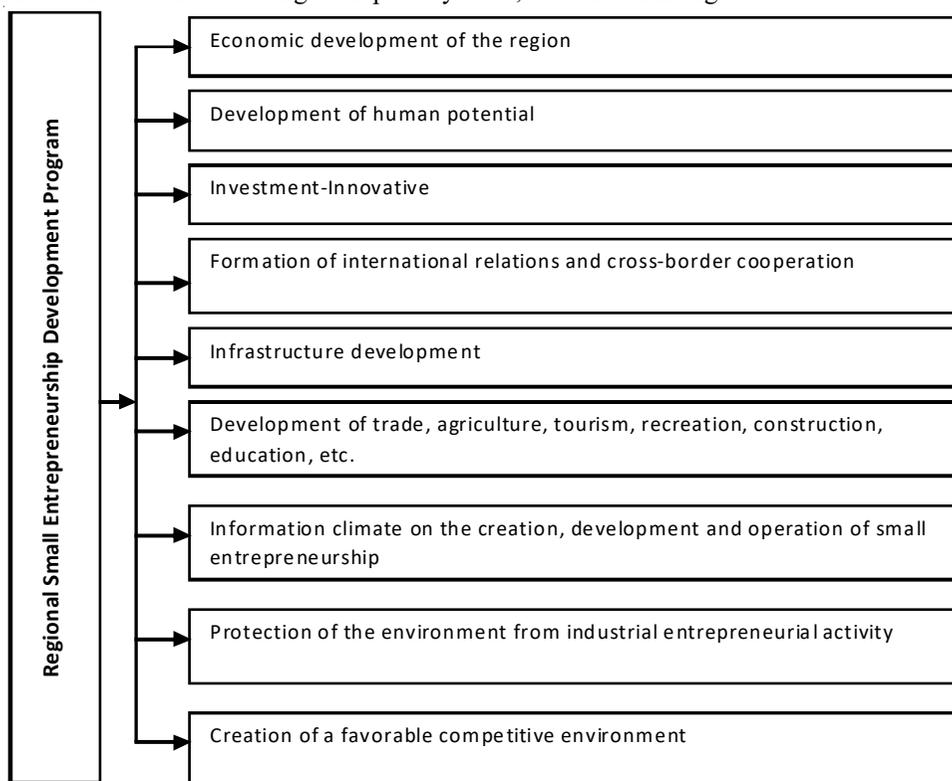


Fig. 1. Mandatory components of the program for the development of small entrepreneurship in the region

The State Employment Service in the regions has conducted trainings on the basics of entrepreneurial activity for the unemployed; business planning and consulting accompaniment of persons, who wanted to open their own business.

Information and consulting centers, business centers and business incubators have conducted work on the training, retraining, training the staff for small business, there have been held seminars on entrepreneurship orientation and self-employment for the unemployed and unoccupied citizens.

In the employment centers there are informational corners for entrepreneurship support, where you can get acquainted with the information materials on the organization and conduct of entrepreneurial activity; there is also functioning the Internet-resource “School of the Young Entrepreneur”, which contains information and methodological materials on youth entrepreneurship, provides consulting services; there is a center for promoting rural green tourism, as well as 17 local centers conducting training seminars on the organization of agritourism business, there are registered 298 agro-dwellings, which are engaged in rural green tourism [13].

Conclusions

The priority task in Ukraine is to pay attention to state support and promotion of entrepreneurship initiative development and youth activity (in particular, by creating youth business centers, business incubators, providing information and consulting assistance, long-term preferential loans, privileges of payments for business registration, production premises, commercial risk insurance).

By carrying out this task, the state would be able to stimulate young people to legalize their work through its transfer from the shadow economy sector or returning from abroad, because the desire for personal fulfillment, the desire for economic independence and innovative mindset would bring positive results in implementing entrepreneurial activity.

Among the important problems hindering the development of small entrepreneurship at the regional level are:

- imperfection of the work of controlling bodies and the permit system authorities;
- lack of financing for start-up business, innovation development;
- unformed rational infrastructure for the efficient functioning of small entrepreneurship in cities and villages;
- insufficient interaction between regional and local executive authorities, associations of entrepreneurs in solving problems of protecting the interests of small enterprises;
- low involvement of small enterprises in participation in regional, state orders;
- no ethics at the regional and state levels of entrepreneurial activity and the ability to cooperate with both public and local self-government authorities, which are also interested in the development of the region.

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РОЗВИТОК МАЛОГО ТА СЕРЕДНЬОГО ПІДПРИЄМНИЦТВА НА РЕГІОНАЛЬНОМУ РІВНІ

Розглянуто етапи запровадження регіональних програм розвитку в Україні, їх місце і роль на всіх рівнях розвитку та функціонування малого підприємництва в сучасних умовах. Запропоновано пріоритетні напрямки та обов'язкові складові регіональної програми розвитку на прикладі Львівської області. Наголошено на важливих проблемах, що перешкоджають розвитку малого підприємництва на регіональному рівні, врахування та вирішення яких позитивно вплине в майбутньому на стан малого бізнесу.

Ключові слова: регіональна програма розвитку, мале підприємництво, інфраструктура підприємництва, регіональний розвиток.