

47. Problems of small business in Ukraine

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Introduction. These days the problem of small business establishment and development in Ukraine is topical. Private entrepreneurs face many barriers that exist in the legislation, tax system and other aspects of business.

Resources and methods. Scientific papers of domestic and foreign scientists and economists on the problems of small business and economic statistics became the theoretical and methodological basis of the given work. The following general scientific research methods and techniques are used: logic synthesis, comparison, systematic approach.

Results. Ukraine took the 96th place in the ease of doing business Doing Business-2015, rising to 16 positions. It is between the Philippines and the Bahamas in the ranking. To compare with the other post-Soviet countries, Russia takes the 62th place, Moldova – 63, Belarus – 57, Bulgaria - 38, Romania - 48. About 35% of the working age population is engaged in small business.

The first problem is the impact of the control authorities on the Ukrainian business. The tax system, the customs, and other control authorities are making business more and more complicated. Tax Code of Ukraine, which came into force on 1st January 2011, has put more pressure upon small businesses, in addition to a series of innovations that have reduced the possibility of cooperation between small and large enterprises.

Ukraine's economy is traditionally dependent on the limited number of large-scale enterprises, many of which hold oligopolistic positions. But according to Ukraine's State Service for Regulatory Policy and Entrepreneurship, small and medium businesses account for 99.7 percent of the country's registered enterprises. However their share in the nation's economy remains low by Western standards.

One of the main problems of our economy is that small and medium businesses' contribution to the country's GDP is 10 to 12 percent, while in Europe it is 50 to 55 percent. Ukraine has a complicated system of taxation and low tax transparency, which pushes local small and medium businesses to go underground.

Next problem is corruption. Ukraine is a leader on this indicator in international ratings. An amount of bribes can exceed initial capital, causing the collapse of the business or doesn't even allow it to be established. As a result, in Ukraine small and medium businesses have been minimized. Another problem for the Ukrainian business is active government regulation of the entrepreneurial activity. The success of the business depends on the relationship with the government, which is illegal in the European countries.

Small business entrepreneurs rarely borrow an initial capital from banks as interest rates are too high. Bankers, in turn, find it difficult to assess the customers' solvency, especially when they provide loans to start-ups. Banks demand sustainable solvency, good sales and high profitability from business owners, and on top of that they need a competent business plan and records of all current accounts. Hryvnia loans are often not profitable, and currency loans are prohibited.

Conclusions. So to come out of the shadows and stop fueling the shadow economy it is necessary eliminate corruption by changing tax laws. You must halve single tax for SMEs and start tax holiday for a period of two or three years. We must also protect and develop local markets and Ukrainian producers and to simplify and streamline the registration and taxation process.

References

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