

## 6. ENTERPRISE DEVELOPMENT IN UKRAINE. PROBLEMS AND PROSPECTS

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Entrepreneurship is the leading sector of the market economy, market saturation, which provides goods and services, promote healthy competition, creates a new layer of entrepreneur-owner. It is based on independent, active, systematic, at your own risk, of the production of products, services and employment in trade and aims to promote profit.

Today it is with small business state connects the positive hope for rapid structural changes in the economy, the exit of the economic crisis and create conditions for expanding the application of market reforms, it is seen as the «leading force in overcoming the negative processes in the economy and ensuring sustainable positive development of society, as one of the areas of employment, preventing unemployment and job creation».

Prospects for SMEs associated with its special role in the transition to a market economy and in its formation.

First of all this is that self-management businesses actively affects the competitive environment.

For every entrepreneur trying to take a niche market products or services, and strives to produce the desired quality products, thus attempting to attract consumers. All this translates into a kind of small business social engine of economic development, provides a market economy the necessary flexibility and encourages growth.

Largely the role of small business is to solve the issue of employment, which is manifested primarily in the ability of SMEs to create jobs and absorb excess labor. After all, while the process of job cuts at large enterprises, small firms not only retain but also create new jobs. With this in mind, as evidenced by the way, and foreign statistics, small business is more stabilizing factor than big industry.

In addition to problems creating new jobs, a competitive market environment and conditions of the market economy, small businesses do have a number of important functions.

Particularly in countries with market economies small businesses play an important role in stimulating technological innovation, creating them in 2 – 2.5 times more than large companies.

In addition, the creation and activities of a large number of small businesses providing sustainable development of regional economy. Due to higher competition, they provide a better local markets in goods and services and at the same time much less destabilizing the situation on the labor market in bankruptcy of some of them in comparison with large enterprises.

Small businesses often use local resources, firmly tied to its place. In addition they are a significant source of replenishment of local budgets, often involved in sponsoring local programs, being interested in the economic development of the territory where they are.

At the end of 2009. in Ukraine there were about 200 thousand small businesses (operating about half of them or 2 on 1 thousand population) Nearly 1 million entrepreneurs without a legal person, 40 thousand farms. Just small business employing about 2.7 million people. That is 9 % of the working population, which produced 11 % of total production.

In the current situation of small business development in Ukraine should be a decisive factor for the improvement of economic mechanisms: This area needs an effective state support, which should be directed at creating a positive economic and legal environment. This is especially necessary because the small business associated with a significant risk. Therefore detrimental to small businesses is lack of knowledge and experience in finance, law, lack of competence in the management firm. According to statistics, only 5 % of the number of newly established enterprises in Ukraine can be considered successful already disappear. 35 % during the first year of operation. The remaining 60 % barely make ends meet.

In developed countries, small business is given priority attention from government agencies, private organizations, NGOs. They set favorable legal conditions. Because small businesses are much easier to introduce new technologies in manufacturing and industrial sector, agriculture, manufacturing and others.

Despite the great role that is given to small and medium business enterprise development in Ukraine does not meet the requirements of time.

According to most businesses, most typically factors that impede this development are as follows: 1. Organizational and legal difficulties of starting a business, especially the transition from registration to the activity. 2. Non-availability of credit for launching, and the business or its recovery, insufficient ties to international financial organizations and investment grants. 3. Preferably declarative nature of state support of enterprise, ambiguity and inconsistency of the current regulatory framework. 4. Territorial imbalances, the concentration of small businesses around the industrial centers and the almost absence of them in remote areas and villages. 5. Unfavorable (fiscal) tax policy, the burden of excessive taxation (especially in charge on wages, which leads to significant shadowing in small business.) 6. Quite cumbersome accounting and reporting. 7. Limited capacity to protect against unlawful encroachments. 8. Non-payment crisis and problems with the formation of new relationships, marketing channels. 9. Weak infrastructure of small business. 10. Lack of professional knowledge and experience of those involved in small and medium businesses.

One of the major obstacles to the development of small businesses is lack of financial resources for development investment, and thus regard the development of investment processes, which are the driving force behind economic growth.

In countries with developed economies in the most common form of financial support to small businesses (70 %) is the credit resources of banks. The state promotes the interest credit institutions provide soft loans for beginners and the case involves different groups. To do this, create a special government programs for youth, unemployed, unemployed women, implementation of which is carried out through selected banks. In order to encourage implementation of such programs, the state creates a system of motivations, additional credit resources, the establishment of preferential tax system for lenders and others. The banking system is flexible and therefore has many advantages. When banks are given micro loans, established leasing companies, venture capital and investment funds, which in various forms are also directly or indirectly related to the implementation of such programs for small business. In Ukraine, however, provided limited credit resources, high rates for money and high-risk, interest rates are too high and can not be a source of investment for small businesses.

Significant role in the financial support of small businesses should play a form of support. Extremely urgent problem is to attract domestic and foreign investments in various forms and directions for attachment. For the dynamic development of businesses regardless of their ownership to form a system of state regulation and support for small businesses.

Increasing the role and importance of small enterprises in Ukraine's economy has brought new demands on the development of an appropriate market infrastructure

(financial and credit institutions, stock exchanges, investment funds and companies, information consulting firm, business centers, etc.), so governments should more attention given to the formation of its basic elements and develop a proper legal framework. Implementation of these measures will provide our entrepreneurs with significant opportunities for development. Thus, entrepreneurship can achieve improve its performance to the level of developed countries.

On the basis of the above, we can say that business in Ukraine has large reserves and great promise, because there is no other way of establishing and strengthening the state, except for the development of market economy, based primarily on private business, personal initiative, and that gives everyone the opportunity for self and self-affirmation.