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EUROPEAN UNION AND UKRAINIAN BUSINESS

Summary

Currently, Ukraine needs to build an effective system of business support based on European experience. It should be noted that access to financial business opportunities is available through various EU funding instruments to ensure stability, growth and maintain the competitiveness of companies of all sizes and sectors. The main opportunities of business support in the context of the European programmes are analysed in this paper. The main European programmes and initiatives aiming to support Ukrainian small and medium-sized enterprises by providing financing, know-how, business consulting and training are presented.

Keywords: business, economic growth, European Commission (EC), European Union (EU), financial instruments, small and medium enterprises (SMEs), European programmes.

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ЄВРОПЕЙСЬКИЙ СОЮЗ ТА УКРАЇНСЬКИЙ БІЗНЕС

Анотація

Нині Україна повинна побудувати нову та ефективну систему надання підтримки бізнесу, зокрема використовуючи наявні можливості європейських програм та ініціатив. У роботі розглядаються основні можливості розвитку українського бізнесу, зокрема малого і середнього (МСБ), в контексті європейських програм та ініціатив. Продемонстровано, що доступ до фінансових можливостей для бізнесу можливий через різні інструменти фінансування Європейського Союзу (ЄС) для забезпечення стабільності, зростання і підтримки конкурентоспроможності компаній усіх розмірів і секторів, особливо МСБ. Наголошено, що у сучасному глобалізованому світі саме бізнес відіграє ключову роль у сприянні сталому економічному розвитку країни завдяки впровадженню інновацій, збільшенню можливостей для працевлаштування, підвищенню конкурентоспроможності національної економіки. Важко заперечити той факт, що практично у всіх країнах світу МСБ розглядається як ключовий елемент економічного життя. У роботі наведено статистичні

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показники розвитку малого і середнього бізнесу в Україні за 2018 рік. Представлені основні європейські програми та ініціативи, спрямовані на підтримку українських малих і середніх підприємств шляхом надання фінансування, бізнес-консультацій, тренінгів, доступу до інновацій та know-how з метою розвитку власного потенціалу компаній. Так, на прикладі аналізу ініціативи Європейського Союзу "EU4Business" продемонстровано вплив співпраці на розвиток МСБ України, результатом якої є подолання таких перешкод, як обмежений доступ до фінансування, відсутність інформації щодо наявних можливостей у рамках європейських програм, труднощі у виході на нові ринки тощо.

Ключові слова: бізнес, економічне зростання, Європейська Комісія (ЕК), Європейський Союз (ЄС), фінансові інструменти, малий і середній бізнес (МСБ), європейські програми.

Problem statement. In a changing context of the world tendencies the structural transformations in the country have increased the strategic role of the business as a means to ensure comprehensive sustainable development and improve standards of living. Obviously, business has a key role to play in increasing innovations, and helping to rebalance the Ukrainian economy. The countries that think about their own future are making efforts to support sustainable development initiatives and practices of the business community. At present, the EU offers a lot of opportunities aiming business development, access to EU markets, finance (a variety of grant support, profitable loans), new technologies, training programmes, etc. Unfortunately, Ukrainian business doesn't know all own opportunities, which are available through different EU funding instruments. It is hard to deny the fact that Ukraine needs to construct a new and effective system to the provision of business support and access to finance based on European experience. In the context of the foregoing, it is very important for Ukraine to study the European programmes of business support aiming significant success in achieving sustainable development.

Analysis of resent studies. From a researcher's point of view, business activities are now considered the means of achieving sustainable development. The scholars like O. Baranovskyy, P. Buryak, Z. Varnaliy, L. Vorotina, O. Kulchytsky, I. Embree, J. Gomme, experts of international organizations (United Nations, EU, EC, etc.) have analyzed the opportunities, benefits, problems and prospects for business in modern conditions. If we are taking into account, what possible measures can help the business, we can find many issues, which need improvement. In the context of the present study we wish to emphasize that despite the recognition of the importance of business for national economy, many aspects because of its complexity and contradiction are not investigated.

Main aim of the article is an attempt to study the main opportunities for Ukrainian business in the context of European programmes and initiatives.

Basic material. It should be acknowledged, SMEs play an important role in Ukraine's economy and "contribute to creation of new jobs, growth of the Gross Domestic Product (GDP), and development of the competitiveness and innovative potential of the national economy" [1]. The SMEs are the driving force and the backbone of the European economy; they are critical in creating sustainable jobs, leading to growth and prosperity. Although in Ukraine the SMEs make up 99.9% of all registered enterprises in the country, there are limited possibilities for growth and competitiveness. All the stakeholders involved recognise that the situation of SMEs in the economy requires immediate and swift improvement. Only by providing the SME sector with the opportunity to unleash its full potential, can the country be set on its path to sustainable and inclusive economic growth [3].

It is important to keep in mind that today every country should support and develop business. As noticed by J.Gomme (2016): "Business has a key role to play as an engine of economic growth and employment and a source of finance, technology and innovation. ... However, business cannot act alone. Success will also depend on governments regulating in favor of this innovation, which will put new technologies and products onto a level playing field with conventional ones" [4]. So, the Cabinet of Ministers adopted in May 2017 the Strategy for SME Development in Ukraine until 2020 and the Action Plan. Both documents acknowledge various regulatory deficiencies and set the reform path to their resolution: creating a favourable environment for SME development; improving access to finance for SMEs; simplifying Tax Administration for SMEs; promoting Entrepreneurial Culture and Developing Entrepreneurial Skills; promoting SME Export / Internationalisation; improving competitiveness and developing the innovation potential of SMEs [1-3].

And now some statistical information about SMEs. The latest statistics show that there were 446 large enterprises in Ukraine (or 0.1% of the total number of companies) in 2018. The rest are SMEs (about 355,506 SMEs), including 16,124 medium-sized enterprises and 339,382 small businesses. These SMEs contributed significantly to job positions in Ukraine with a total of 4,325,100 employees (73.3% of the total number of the employed). SMEs had a turnover of UAH 5,540,543.7 representing 61.2% of the total turnover of all registered enterprises (table 1).

It should be noted that access to financial opportunities for business is available through different EU funding instruments (fig. 1) in order to provide

stability, growth and maintain competitiveness of companies of all sizes and sectors, notably SMEs. The EU programmes and initiatives offer financial support to business through different innovative financial instruments (guarantees, project bonds, etc.), which act as a catalyst to attract further funding from the other sources. So, the increased use of financial instruments mobilising EU, national and regional funds is demonstrated the benefits as for business on the one hand and for every country and world community on the other hand. The implementation of the EU funding instruments reinforces the system for business support (access to finance and markets; improving conditions for businesses; encouraging entrepreneurship and etc.) and catalyses additional investments in economy in the concrete initiatives aiming at boosting jobs, economic growth and sustainable development.

Table 1

Ukraine's SME statistics (2018)

Indicator	Measurement units	Small enterprises	Medium enterprises
Number of enterprises	quantity	339,382	16,124
Share among total number of registered enterprises	%	95.4	4.5
Employees	thsd. persons	1,611.0	2,714.1
Percent of the total number of the employed	%	27.3	46
Turnover	UAH million	1,727,404.4	3,813,139.3
% from total turnover of all registered enterprises	%	19.1	42.1

**Source: developed by author according to [6]*

Let's consider the European Union's EU4Business initiative - an umbrella initiative that covers all EU activities supporting SMEs in the Eastern Partnership countries. In the Eastern Partnership region, SMEs represent between 83% and 99% of all firms, and account for 50% of all jobs according to the OECD in 2017 [8].

This, however, still lags behind EU countries, where SMEs account for over two-thirds of employment, and 85% of new employment created in the past five years. SMEs therefore have the potential to create further jobs and drive economic growth, if obstacles to growth can be tackled, such as limited access to finance, red tape, and difficulties entering new markets. It should be noted that EU4Business helps businesses in Ukraine to adapt to new market requirements, streamlining processes, and investing in new equipment to comply with EU rules in areas such as quality and safety, energy efficiency and environmental compliance, and so make the most of a new more open EU export market [8]. The EU4Business umbrella initiative supported a total of 21 projects in Ukraine since its inception. In the period 2009-2017, a total of 4 projects were completed, while 17 are still running (table 2) [5].

**THE WORLD ECONOMY
AND INTERNATIONAL ECONOMIC RELATIONS**

EUROPEAN UNION & SMEs			
EU PROGRAMME	MAIN OPPORTUNITIES FOR BUSINESS		
	COSME Programme <i>period: 2014-2020</i> <i>budget: €2.3 bn</i> (€900 million for Ukraine)	Programme for Employment and Social Innovation (EaSI) <i>period: 2014-2020</i> <i>budget: €919,469,000</i>	Creative Europe <i>period: 2014-2020</i> <i>budget: €1.46 bn</i>
	Horizon 2020 <i>period: 2014-2020</i> <i>budget: nearly €80 bn</i>	Life Programme <i>period: 2014-2020</i> <i>budget: € 3.4 bn</i>	Pericles 2020 <i>period: 2014-2020</i> <i>budget: €7,3 million</i>
	European Territorial Cooperation (ETC) (within the European Regional Development Fund) <i>period: 2014-2020</i> <i>budget: €10.1 bn</i>	Interoperability solution for European Public Administrations (ISA) <i>period: 2016-2020</i> <i>budget: €131 million</i>	European Maritime and Fisheries Fund (EMFF) <i>period: 2014-2020</i> <i>budget: €6.4 bn</i>
	The initiative EU SURE (EU Support to Ukraine to Re-launch the Economy) <i>period: 2016-2020</i> <i>budget: €95 million</i>	EU4BUSINESS: Network of Business Support Centres in Ukraine <i>period: 2016-2020</i> <i>budget: €40 million (€28 million for advisory support, €12 million for direct lending)</i>	
	MAIN BENEFICIARIES: SMEs operating in all sectors		
FINANCIAL INSTRUMENTS: Business loans, venture and growth capital, guarantees, equity financing, business grants, project bonds, public procurement contracts and microfinance instruments.			
BENEFITS		PROBLEMS	
Professional advice and analytics; support for export-import activities; help with the expansion of trade and economic relations (find new clients, suppliers, partners, investors, producers or distributors), information exchange and sharing experience, various industry conferences, training, seminars, exchange programs, and internships; access to finance (including local-currency loans, finance for export-related investments), adaption to EU standards, support for women entrepreneurs and start-ups.		Lack information about EU funding programmes; difficulties with project documents; bad knowledge of English; psychological barriers; need to provide the European standards of functioning of company.	
NEED:			
Well-coordinated efforts of government agencies, local governments, and other stakeholders; systematic approach to development and implementation of government policies in the field of entrepreneurship development; effective cooperation of government agencies, local governments, SMEs and their associations; mobilisation of all available resources.			
RESULTS:			
<ol style="list-style-type: none"> 1. Strengthening the institutional, regulatory, and operational environment of SMEs operations (establishment a functional and effective system of business advice covering the territory of Ukraine). 2. Improving SME access to finance (grants, the credit resources available for SMEs, etc.). 3. Development of entrepreneurship competence and enhancing entrepreneurship skills (promoting entrepreneurship and entrepreneurial culture; improving SMEs' understanding of industry-specific know-how). 4. Enhancing SME competitiveness (improving framework conditions for the competitiveness of SMEs through better business skills, understanding of new markets and adaptation of innovations). 5. Supporting SME internationalisation (improving access to (foreign) markets). 6. Improving research and innovation. 7. Reducing wealth disparities between regions. 			

*Fig. 1. Main opportunities for Ukrainian business in the context of European programmes**

*Source: developed by author according to [1-3; 7-10]

The EU4Business initiative and the projects implemented through it have a significant impact on enterprises and for the provision of employment: between 2009 and 2017, EU4Business supported 660 enterprises, 1,043 enterprises received loans for a total value of € 188,810,961 and through these 5,887 new jobs were created [5].

Table 2

EU4Business impact in Ukraine*

Impacts of EU4Business support	2009-2015	2016-2017	2009-2017
Number of enterprises supported with advisory services	306	354	660
Number of enterprises which received loans	557	486	1,043
Total value of loans disbursed (Euro)	103,921,541	84,889,419	188,810,961
Number of new jobs created	1,865	4,022	5,887
Number of jobs supported and sustained (advisory and financial projects)	20,318	8,722	29,040
EU4Business project portfolio:	21		
Area of support			
A: Improving Access to Finance	10		
B: Strengthening policy and regulatory framework	4 (3 – ongoing projects; 1 - closed project)		
C: Improving knowledge base and business skills	4 (3 – ongoing projects; 1 - closed project)		
D: Improving access to markets	3 (1 – ongoing project; 2 - closed projects)		

*Source: developed by author according to [5]

Conclusions and directions of further researches. In the light of these considerations, it seems justified to conclude that SMEs are indeed a key element of economic life and the Ukrainian business needs to learn the all opportunities of EU programmes and initiatives. Ukraine seeks financial opportunities to support growth in all regions of the country improving business access to finance and markets. For Ukraine it's a very important to develop and adopt the rules to increase opportunities for companies in financial difficulties to restructure early in order to prevent bankruptcy and the loss of jobs and to attract investors, create and preserve jobs, and help economy absorbs economic shocks. The knowledge of the key opportunities and challenges in the context of business perspectives helps to develop tools and mechanisms to translate the ambitions into practical, effective solutions in everyday business activity.

Further research should be focused on developing business based on a comprehensive analysis of complex problems and their solutions in the context of creating a solid foundation to ensure gradual growth of SMEs in terms of significant challenges faced by the country.

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THE REASONS OF REGIONAL SUPPORT FOR INNOVATION IN SME

Summary

The market failures that are most often justify intervention in favor of SMEs, is imperfect information. Imperfect information almost always is associated with the start-businesses and empowers businesses to provide education, training and advisory services, as firms themselves fail to appreciate their contribution to the business.
