

**ОСОБЕНОСТИ В РАЗВИТИЕТО НА  
ПРЕДПРИЕМАЧЕСТВОТО НА МАЛКИТЕ И СРЕДНИТЕ  
ПРЕДПРИЯТИЯ В СВЕТЛИНАТА НА НАЦИОНАЛНАТА  
ПОЛИТИКА И ИНОВАТИВНАТА ДЕЙНОСТ**

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**THE PECULIARITIES OF THE SMALL AND MEDIUM-SIZED  
ENTREPRENEURSHIP DEVELOPMENT IN THE LIGHT OF  
THE NATIONAL POLICY AND THE INNOVATIVE ACTIVITY**

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***Abstract***

*The article analyzes the conditions for the development of small and medium entrepreneurship and the tendencies of the innovation activity development in Ukraine. An analysis of infrastructure supporting the small and medium enterprises activity has been carried out. Innovative infrastructure of Ukraine is characterized by a disproportion to the growth of the number of consulting and management firms and other organizational forms of innovation activity, the reduction of the number of enterprises with production and research processes, the imbalance of infrastructure objects in the regions of the country. Innovation activity of small and medium enterprises in Ukraine is rather low. The most important problems which arise in the process of development of small and medium entrepreneurship and their innovation activity have been found out. The main types, characteristics of state support of small and medium enterprises and infrastructure objects for the development of small and medium enterprises and innovation activities have been singled out.*

**Keywords:** *small and medium enterprises, innovative activity, state support, infrastructure objects.*

**JEL Codes:** *L26*

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## INTRODUCTION

The small and medium-sized entrepreneurship in Ukraine due to its specific character is an important factor for the optimization of the economic structure both in the regions and in the country in general. The peculiarities of the innovative activity environment functioning should be considered in the context of the small and medium-sized enterprises analysis, determination of factors, which have an effect on these enterprises development.

Fundamental characteristics of the entrepreneurship system, key issues of its development are reflected in the works of R. Cantillon, J. Schumpeter etc. The last century entrepreneurial raise of the 70s and 80s, which come through a fast growth of the amount of small and medium-sized enterprises, activated economic scientific studies in a sphere of small and medium-sized business. At the same time the works of A. Gibb, D. Johnson, R. Brucksbank, E. Nelson, D. Story, A. Åslund, laid the foundation for the interdisciplinary approach to the small and medium-sized entrepreneurship problems study. In the works of M. Mesko, F. Schumacher, M. Bern, Y. Maitland, there were reflected organizational, social, legal aspects of the small and medium-sized entrepreneurship formation and development. Together with the beginning of market transformations in Ukraine, the research activity of the issues related to the entrepreneurship has significantly increased. A substantial theoretical contribution in the small and medium-sized entrepreneurship problems study introduced Yu. Bazhal, T. Vasylytsiv, Z. Varnalii, M. Veber, V. Haiets, P. Drucker, E. Dolan, L. Erhard, Ya. Zhalilo, D. Lindsay, I. Mantsurov, Yu. Nikolenko, Yu. Pakhomov, Ye. Panchenko, O. Ustenko, A. Chukhno, F. Hayek etc. The works of the above-mentioned authors have been dedicated to the analysis of a place of the small and medium-sized entrepreneurship in the market environment, detection of peculiarities of its functioning in a transition economy, an innovative activity of the enterprises, a formation of the small and medium-sized entrepreneurship's state support tool.

It has been stated in a work of V. Haiets that the small and medium-sized enterprises have an advantage in the introduction of the new technologies, development of the innovative projects, working out of the newest inventions, as long as at the big enterprises this problem was always even more pressing.

The investors are inclined to take their opportunities to create new production processes against the innovative background.

A lot of studies have been dedicated to the separate aspects of the small and medium-sized enterprises functioning: labour management relations at the enterprises, problems of legal regulation of activity etc.

However, the peculiarities of the small and medium-sized entrepreneurship in Ukraine in the light of innovative activity development and governmental regulation have been insufficiently examined. In this regard, the study of the issues of the innovative activity, improvement of the state regulation policy for the working out of the main directions for the development of small and medium-sized enterprises in Ukraine has become even more up-to-date. It gives an opportunity to find new impulses for the entrepreneurship development.

#### **THE ANALYSIS OF THE INNOVATIVE ACTIVITY IN A SECTOR OF SMALL AND MEDIUM-SIZED BUSINESS**

Under present-time conditions, the economic development of Ukraine has been primarily stipulated by the directions, effectiveness, the success of the innovative development of the country, which will give the opportunity to increase the competitiveness of the national economy, ensure the economic security of the country and at the enterprises, in particular.

The analysis of the current state of the innovative activity infrastructure and small and medium-sized enterprises development in our country is indicative of the availability of the significant challenges, which are manifested in the obvious absence of the relation between all the components of the innovative infrastructure (Seminozhenko, 2014).

According to the statistic data, the number of the innovative infrastructure components representing the small and medium-sized entrepreneurship in Ukraine gradually increases, however, not so rapidly. Within the framework of the small and medium-sized entrepreneurship support program that has been developed and implemented by the state, there are operating different kinds of the innovative infrastructure components. However, there are still enough problems related to the increase of the amount of business incubators, innovative centers, technology transfer centers, consulting centers on the

innovative issues, venture capital fund, non-bank financial lending institutions. There is required a further impulse to support the creation of technological parks, technopolises, industrial and science park, and innovative clusters.

*Table 1. Innovative Infrastructure Components in Ukraine*

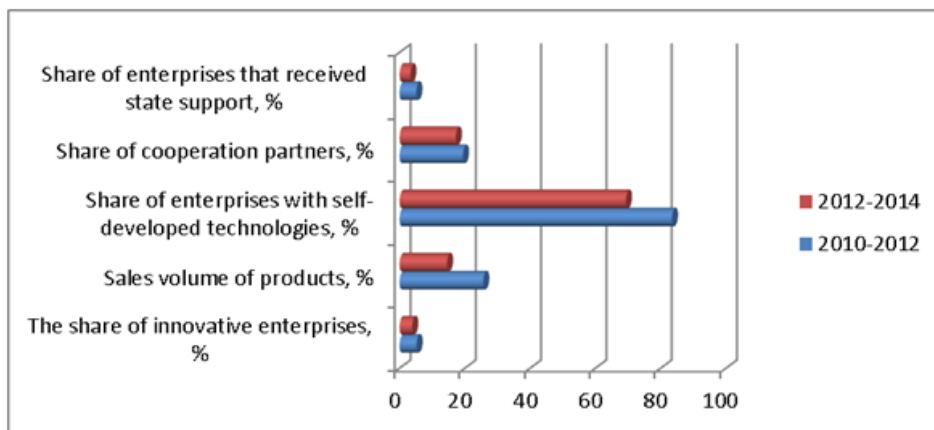
<b>Innovative Infrastructure Components</b>	<b>2009</b>	<b>2013</b>
Research Centers	28	108
Innovation Centers	24	22
Intellectual Property Commercialization Centers	23	38
Innovation Business Incubators	11	23
Educational and Research Complexes	-	34
Innovation and Technology Transfer Centers	5	24
Enterprises of the system of scientific and technical information (Regional centers of scientific, technical and economic information)	19	17
Research and development enterprises	21	27
Consulting Innovation Centers	-	7
Innovative Venture Fund	-	1
Non-bank financial institutions	3	6
Industrial parks	-	1
Innovation and technology clusters	10	10
Science parks	-	9
Contact Points (NCP systems) for the 7-th EU Framework Programme on Research and Technological Development (FP7)	-	8
Technology parks	-	12
Regional Investment Centers	-	27
Public Sector Innovation	-	7

*Source:* Seminozhenko, V., 2014

The competitiveness of the national economy depends on the level of the innovative activity support of the business entities of all forms of ownership and size and primary those related to the small and medium-sized entrepreneurship sector, which currently requires the maintenance of the state. The innovative

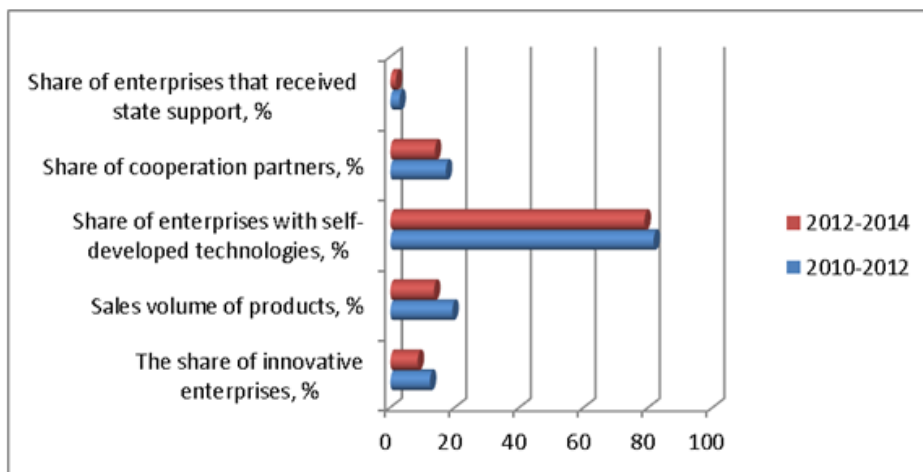
activity of the small and medium-sized entrepreneurship in Ukraine is on a very low level, the percentage of innovatively active enterprises both small and medium-sized is insignificant (Figures 1 and 2).

Figure 1. Innovative activity of medium-sized enterprises in Ukraine (%)



Source: Data from the State Statistics Service of Ukraine. Access mode: <https://ukrstat.org/uk/operativ/>

Figure 2. Innovative activity of small enterprises in Ukraine (%)



Source: Data from the State Statistics Service of Ukraine. Access mode: <https://ukrstat.org/uk/operativ/>

There may be mentioned an increase of the small and medium- sized enterprises stake, the stake of those who are independently developing the technological innovations. It is worth mentioning that this is the kind of innovations, which is perspective when moving in the direction toward the formation of the competitive strengths and innovative formation of the enterprises, and a country.

The innovative development should be supported by the investment processes, which do not provide the corresponding reproduction of a capital because of the slowed down the growth of the gross capital investments, reduction of the small and medium-sized entrepreneurship stake in gross capital investments, a low innovative activity of the small and medium-sized enterprises (Table 2).

*Table 2. Gross capital investment in Ukraine (UAH billions)*

Indicator	2006	2007	2008	2009	2010	2011	2012	2013	2015
Large enterprises	70,1	47,3	124,7	45,2	95,7	134,0	127,7	128,0	129,5
Medium enterprises	41,4	62,4	68,6	45,1	52,6	74,8	113,1	91,4	94,6
Small enterprises	30,8	45,3	53,2	26,8	40,8	51,1	52,9	48,3	49,7

Source: Data from the State Statistics Service of Ukraine. Access mode: <https://ukrstat.org/uk/operativ/>

The gross domestic expenditure stake for research and development is important for the progress of innovative activity of small and medium-sized enterprises in the economically developed countries (Table 3). The leading countries certify the extremely high indicators of the innovative activity development, as long as the governments of these countries allocate a lot of budget money to support the research and development.

Table 3. List of countries by research and development spending (% of GDP)

Country	2000	2003	2012	2013	2015
Brazil	1,05	1,1	1,3	1,3	1,2
United Kingdom	1,81	1,81	1,82	1,82	1,83
India	0,86	0,87	0,9	0,85	0,86
Italy	1,04	1,09	1,3	1,2	1,2
China	1,00	1,23	1,8	1,9	2,0
Germany	2,47	2,50	2,8	2,8	2,85
South Korea	2,65	2,96	3,6	3,7	3,8
US	2,71	2,62	2,8	2,9	2,9
Taiwan	2,05	2,16	2,3	2,35	2,4
<i>Ukraine</i>	1,2	1,3	0,4	0,4	0,3
Finland	3,35	<b>3,45</b>	3,9	3,95	3,95
France	2,15	2,20	2,3	2,3	2,35
Sweden	2,47	2,56	3,41	3,45	3,5
Japan	2,99	3,12	3,4	3,43	3,48

Source: formed by the author according to the data - Yurinets, D. B. Zadorozhny, V. V. Zvir (2013) and European statistics

The specific amount of expenditures for research and development in the leading countries reaches up to 2-3%, and sometimes 3-4% of GDP and has been growing within two decades by leaps and bounds (the annual amount within the last years exceed 5 bln. euro) (Egorov, 2011, p. 57-59). In Ukraine, there has been existing a pressing issue of adequate financing of the research and development, as long as such support is a basis for the search of latest innovation ideas that are available for the small and medium-sized enterprises, as well as for the formation of new fundamental knowledge, competitive information.

## RESULTS

The process of innovative infrastructure formation in Ukraine, where the small and medium-sized enterprises play an important role, has suffered substantial problems. The innovative infrastructure of Ukraine is characterized

by lack of concentration and absence of variety in the growing amount of the organizational forms of the innovative activity that are consulting and managerial by nature as well as the reduction of the amount of enterprises with the production and research processes (technological parks, research and industrial parks etc.), lack of balance between the infrastructure objects in the regions of the country.

A special element of the state regulation mechanism of the entrepreneurship system should include a complex of support measures, maintenance of financial, economic, and innovative activity, all other sides promoting the small and medium-sized entrepreneurship development. A system approach in such case is based on the process of development and successful implementation of state, regional projects, development incentive program.

The author has offered and separated the structural and functional indicators of the state policy in the context of the small and medium-sized entrepreneurship development and the innovative activity (Table 4), which promotes the structuring of information about the directions of innovative activity of the small and medium-sized enterprises in Ukraine.

*Table 4. Structural and functional features of the state policy in the direction of the small and medium-sized enterprises development and the innovative activity*

<b>Features of the state support</b>	<b>Characteristics of direction of the state support</b>
Objective	1) formation of the favourable environment, conditions for the small and medium-sized entrepreneurship development; 2) securing the small and medium-sized entrepreneurship development for the creation of the competitive conditions, which cause the increase of the innovative level and competitiveness; 3) promotion of the innovative and investment activity, activity of the small and medium-sized entrepreneurship; 4) development of measures what will promote the performance of the economic activity by the small and medium-sized entrepreneurship, sale of the manufactured products/goods (services, works), new technology, innovative products etc., both on the national and international markets; 5) support of the population through the maintenance of the business initiatives of people



Principles	<ol style="list-style-type: none"> <li>1) effectiveness of the small and medium-sized entrepreneurship promotion and support;</li> <li>2) availability of the support received by the small and medium-sized entrepreneurship from the state;</li> <li>3) support of participation of the small and medium-sized enterprises and public organizations, representing the interests of the small and medium-sized enterprises in the formation and implementation of the state policy;</li> <li>4) budget funds utilization efficiency, stipulated for the implementation of the above-mentioned programs;</li> <li>5) creation of equal opportunities for the small and medium-sized enterprises that meet the requirements, stipulated by the national, regional and local small and medium-sized enterprises development programs access to participation in realization of such programs and receipt of the state support;</li> <li>6) openness and transparency of the procedures for the delivery of state support;</li> <li>7) accessibility of the infrastructure objects, supporting the small and medium-sized entrepreneurship for all small and medium-sized enterprises.</li> </ol>
Reference point	<ol style="list-style-type: none"> <li>1) Improvement and simplification of the procedure for keeping the accounts with the purpose of taxation;</li> <li>2) Introduction of the simplified taxation system, accounting, and reporting for the small and medium-sized enterprises, that meet the criteria established by the fiscal legislation;</li> <li>3) Attraction of the small-sized enterprises to the fulfillment of the research- technical and social-economic programs, supply of products (works, services) for the state and regional needs;</li> <li>4) Ensuring the financial state support of the small and medium-sized enterprises through implementation of the state lending programs, granting of warranties to obtain the credits, partial compensation of the interest rates on credit;</li> <li>5) Promotion of the small and medium-sized enterprises infrastructure development support;</li> <li>6) Ensuring the right of the small and medium-sized enterprises while carrying out the state monitoring (control) in a sphere of economic activity;</li> <li>7) Promotion of licensing simplification and the procedures for carrying out state supervision (control), for the receipt of licensing documents for the small and medium-sized enterprises, reducing the term for carrying out such procedures;</li> <li>8) Organization of training, additional training and advanced training for the personnel of the small and medium-sized enterprises;</li> <li>9) Introduction of mechanisms promoting and stimulating the use of innovative technologies as well as the technologies that provide the improvement of the quality of goods (works, services) in the course</li> </ol>

	of production.
Support infrastructure	Institutions, organizations, enterprises of different form of ownership carrying out business activity focused on the development of the small and medium-sized enterprises, their investment and innovative activity, promotion of the manufactured products, goods (works, services), results of intellectual activity on the national and international markets
Objects of the support infrastructure	Innovation centers, scientific and education centers, educational and education and production complexes, innovative business incubators, centers for innovations the technologies transfer, centers for commercialization of the intellectual property, small entrepreneurship support funds, investment (innovation) venture capital fund, leasing companies, non-bank financial lending institutions, consulting centers on the innovative activity issues, regional centers for investment and development, public organizations on innovative activity, other institutions, enterprises, organization, whose main objective promote the small and medium-sized enterprises development.

*Source:* developed based on Law of Ukraine “On the Principles of State Regulatory Policy in the Field of Economic Activity”, Law of Ukraine “On the National Program for Promotion of Small Business Development in Ukraine“ and Law of Ukraine “On development and state support of small and medium enterprises in Ukraine“

The most important problems arising in the course of the small and medium-sized enterprises development and innovative activity include: the complexity, inconsistency of the customs and fiscal fields which is characterized by the retardation of the entrepreneurship development process; weak development of different forms of cooperation in the innovative, scientific and technological sector; absence of results of the implemented entrepreneurship innovative development maintenance instruments; low level of the managers, entrepreneurs and personnel’s competence; low level of people’s erudition on the development prospects based on innovative activity; bureaucracy, insufficient investment and financial support of the innovative activity, scientific and research works on all levels of the economic activity etc.

## CONCLUSION

The carried out analysis is indicative of substantial negative trends of the innovative process in Ukraine, complexity of the innovative development conditions for the small and medium-sized entrepreneurship, going behind its present level and worsening of the investment and financing support dynamics

in the sphere of innovative, scientific and technical activity in comparison with the separate countries of the world.

The state support of such kind of activity should primarily be focused on small and medium-sized enterprises. They are the ones able to react promptly to the new, progressive scientific research results, are more flexible, adapting and susceptible to the development and implementation of the scientific and technical achievements. The small and medium-sized enterprises should be the most motivated to the innovative development because of the mobility of their own activity.

Therefore, there has been offered and determined the structural and functional features of the state policy towards the development of the small and medium-sized entrepreneurship and innovative activity. There was specified the state policy objective, principles, reference points, support infrastructure and objects of the support infrastructure, given a conceptual characteristics of the state policy direction. Such information structuring will give an opportunity to understand what direction to move while improving the processes of the state regulation to strengthen the innovative processes and promote the small and medium-size entrepreneurship development.

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