

---

**ІННОВАЦІЇ**

---

UDC 334.722:330.341.1(477)

**Y. A. Romanenko**, Doctor of Science in Public Administration,  
Associate Professor,  
**I. V. Chaplay**, Postgraduate

**SUSTAINABLE ECONOMIC GROWTH OF THE SMALL AND MEDIUM BUSINESSES IN UKRAINE ON THE BASIS OF INNOVATION DEVELOPMENT OF DIVERSIFIED ECONOMY**

**Abstract.** *On the basis of summarizing of the main approaches to the use of qualitative and quantitative criteria for the determination of the subjects of small and medium-sized enterprises in the regional economic systems a number of specific, socio-economic areas of innovation development of the small and medium-sized businesses in Ukraine is considered and suggested. Factors affecting on the formation and operation of the small and medium-sized businesses in Ukraine are justified.*

**Keywords:** *small and medium business; economic potential; business entities; gross domestic product.*

**Є. О. Романенко**, д. н. з дер. упр., доцент,  
**І. В. Чаплай**, аспірант

**СТІЙКЕ ЕКОНОМІЧНЕ ЗРОСТАННЯ МАЛОГО ТА СЕРЕДНЬОГО ПІДПРИЄМНИЦТВА В УКРАЇНІ НА ОСНОВІ ІННОВАЦІЙНОГО РОЗВИТКУ БАГАТОГАЛУЗЕВОЇ ЕКОНОМІКИ**

**Анотація.** *На основі узагальнення основних підходів до застосування якісних та кількісних критеріїв для визначення суб'єктів малого та середнього бізнесу в регіональних господарських системах, розглянуто та запропоновано низку специфічних, соціально-економічних напрямів забезпечення інноваційного розвитку малого та середнього підприємництва в Україні. Обґрунтовано фактори, що впливають на формування та функціонування малого та середнього бізнесу в Україні.*

**Ключові слова:** *малий та середній бізнес; економічний потенціал; суб'єкти підприємництва; валовий внутрішній продукт.*

**Е. А. Романенко**, д. н. по гос. упр., доцент,  
**И. В. Чаплай**, аспирант

**УСТОЙЧИВЫЙ ЭКОНОМИЧЕСКИЙ РОСТ МАЛОГО И СРЕДНЕГО ПРЕДПРИНИМАТЕЛЬСТВА В УКРАИНЕ НА ОСНОВЕ ИННОВАЦИОННОГО РАЗВИТИЯ МНОГООТРАСЛЕВОЙ ЭКОНОМИКИ**

**Аннотация.** *На основе обобщения основных подходов к применению качественных и количественных критериев для определения субъектов малого и среднего бизнеса в региональных хозяйственных системах, рассмотрено и предложено ряд специфических, социально-экономических направлений обеспечения инновационного развития малого и среднего предпринимательства в Украине. Обоснованно факторы, влияющие на формирование и функционирование малого и среднего бизнеса в Украине.*

**Ключевые слова:** *малый и средний бизнес; экономический потенциал; субъекты предпринимательства; валовой внутренний продукт.*

**Relevance of the research topic.** As of today, the Kyiv region ranks among the top five economically developed regions of Ukraine (following the city of Kyiv, Donetsk, Dnipropetrovsk, and Kharkiv regions) in terms of the gross regional product (hereinafter referred to as GRP). The upward trend in the region's GRP growth favors stable growth of the Kyiv region's share in the gross domestic product (hereinafter referred to as GDP) of Ukraine. The region belongs to the industrially developed regions of Ukraine and ranks 7<sup>th</sup> in terms of sold production of industry per capita.

---

**ІННОВАЦІЇ**

---

In 2014, the Kyiv region was second in gross agricultural product output with a share of 6.3% of total production. The region is inside the top ten in terms of level of productivity of agricultural enterprises, in particular, it is fourth in animal husbandry and 11<sup>th</sup> – in crop production.

The pattern of agricultural production in the region is largely corn and poultry farming-oriented as the most profitable industries. However, such a production pattern is not optimal to preserve lands, create, and preserve jobs in rural areas.

The Kyiv region has significant opportunities to ramp up agricultural production, satisfy the needs of the region and city of Kyiv for foodstuffs. However, high economic potential and the high GDP level of the state lose their meaning without periodic comparative analysis of the structural changes in development of small and medium business and creation of favorable condition for its doing.

**Problem statement.** As of early 2015, 210 infrastructure facilities designed to support business operated in districts and cities of regional significance being unevenly distributed and insufficient in number. Creation of a viable and fast-growing sector of small and medium business (hereinafter referred to as SMB) is vital for ensuring sustainable regional development and can complement the activities of the existing industry facilities. Additional chances for SMB development can emerge subject to introducing reforms declared by the government of Ukraine in 2014. At the same time, the economic consequences of Ukraine's rapprochement with the EU threaten Ukrainian small business with stronger competition on the part of more developed European producers.

Import of goods is significantly higher than exports in foreign trade turnover of the Kyiv region, which causes a substantial foreign trade deficit. The average export-import coverage ratio has amounted to 0.4 over the last 12 years [1, pp. 50-53].

Technological parks, innovation funds and companies, and innovation industrial clusters have not been in the territory of the Kyiv region. Strong concentration of economic development in the areas adjacent to the capital can be reduced through balanced development of SMB in the whole of the region with a particular focus on less developed remote districts.

Considering the above, one can say that this topic is rather relevant in both economic and social dimensions despite a fairly large number of studies on problems of small and medium business and its effective performance.

**Review of recent papers and research.** The current trends in small and medium business development, its role in economic development of the country and its regions are the subject of research of many domestic scholars, among whom:

Z. S. Varnaliy, L. I. Voronina, V. M. Heets, B. M. Danylyshyn, V. I. Kredisov, H. M. Ryzhakova, M. P. Butko, E. M. Libanova, Z. V. Herasymchuk and others. They have considered the process of becoming of small and medium business in Ukraine and specifics of its doing amidst pronounced globalization trends. At the same time, the issues associated with defining the main factors affecting the development of small and medium business remain uncovered and therefore need in-depth research.

**Objective setting.** The paper is aimed to identify the features and specifics of creating conditions for priority development of small and medium entrepreneurship. Analysis, synthesis, comparative and statistical methods were used to achieve the target goal.

**Basic material presentation.** Relationships of entrepreneurship in Ukraine are the most implemented exactly in small and medium business where independence of the owner and personification of economic management are directly combined. Small and medium business promotes positive economic and social trends in development of a region and the country as a whole [2, pp. 123-125].

Small and medium business plays a major socioeconomic role in the development of any state. As of today, just by means of small and medium entrepreneurship it is possible to implement modernization-oriented reforms in Ukraine's economy. Small and medium business encourages competition, helps reduce monopoly abuse, has positive effect on the structure of economy and on the GDP quality, expands the scope of market choice freedom, ensures faster implementation of innovations and intensifies investment activities [3, pp. 32-36]. In addition, small and medium business helps create new jobs, improve production methods, and increase investment appeal of regions, which makes positive impact on the GRP growth.

---

---

## ІННОВАЦІЇ

---

---

Having performed a comprehensive analysis of existing practices in economic theory and competition policy, it should be noted that describing the process of ensuring innovation-based development of small and medium entrepreneurship in Ukraine, it is important to form the following areas of activity:

1. Creating new and modernizing the already existing branches of economy, which includes, in particular, organizational and engineering preparation of the investment media of a given region for attraction of required investment resources in the economy, innovative forms of organizing and siting of enterprises [4, pp. 40-41].

2. Increasing competitiveness of the economy of the remote districts by encouraging traditional and newest types of business, improving provision of administrative services.

3. Creating conditions for priority development of small and medium entrepreneurship.

4. Developing tourism potential, namely, promoting weekend tourism as a potential source of additional earnings for residents of a given region.

Let us consider each of the above-said areas of activity in more detail and analyze their essence.

*Area 1. Creating new and modernizing the already existing branches of economy.* When selecting ideas, the most important thing is that it is somewhat difficult to predict with a high degree of certainty the development of economic trends in the present political and economic contexts [5, pp. 201-202]. However, there is a need to identify and perform economic and social acts that will rest on the current trends and prepare the ground for possible new opportunities.

Exactly such an approach was taken when selecting the ideas that were included into Area 1. Growth in the GDP of a given region can largely be ensured by modernized and newly created high-performance industrial enterprises turning out products with significant added value. This can be achieved only subject to mobilization of extensive investment resources. In this regard, the authorities engaged in economic development management face the task to identify investment-attractive media and carry out necessary organizational, technical and engineering preparation of territories and provide marketing and information support.

Area 1. includes a set of ideas that should ensure:

- conditions for attracting strategic investors to specific territories, with emphasis on the remote districts of a given region;
- marketing information support in order to bring in investments;
- creating new high-tech enterprises and providing jobs for residents of a given region;
- conditions for development of logistics and transport potential of a given region; and;
- conditions for more efficient and effective management of available energy resources, as well as for development of alternative energy.

*Area 2. Increasing competitiveness of the economy of the remote districts.* The districts closest to the city of Kyiv constitute about one fourth of the region's territory, inhabited by almost half the region's population and producing nearly half of the Kyiv region's GRP. The level of economic development of the remaining districts of the eastern, southern and northern parts is much lower than in the central ones [6, pp. 58-60].

The ideas of Area 2 are aimed at raising the level of economic development of the remote districts by using specific opportunities of these territories and minimizing potential threats to social development, especially with respect to the northern districts of the Kyiv region that suffered as a result of the Chernobyl disaster.

Being aware of the magnitude of needs of these territories, it is necessary to focus on those ideas that will be able to become model (pilot) to test their effectiveness.

Area 2 includes ideas that should ensure:

- favorable conditions for doing small and medium business;
- promoting and developing self-employment of the population; and
- developing newest types of small business and supporting traditional crafts.

*Area 3. Creating conditions for priority development of small and medium entrepreneurship.* Even today small and medium business creates most jobs and mainly funds the region's budget, therefore facilitating its activities and development should be a priority when making decisions con-

---

## ІННОВАЦІЇ

---

cerning the region's economy. Special attention should be paid to those districts and cities where entrepreneurship and self-employment are in germ [7, pp. 65-69].

It includes ideas that should ensure:

- building small and medium business support infrastructure;
- conditions for import substitution based on sectoral reorientation of the region's enterprises; and
- improving delivery of administrative services.

*Area 4. Developing tourism potential.* The tourism industry has huge potential for development, in particular, weekend tourism expansion, especially if the capital of Ukraine, 3-million-strong city of Kyiv, is in the center of the region. In the territory of the Kyiv region, nearly 6,000 cultural heritage sites are listed, as well as reserves, natural and landscape parks, preserved authentic historical and cultural heritage, which enables to develop recreational, historical and rural tourism. However, in spite of these resources, the existing accommodation and leisure facilities, infrastructure and the level of the current tourist services prevent from ensuring sufficient prerequisites for steady growth of this sector [8, pp. 85-90].

Implementation of ideas in this area solves a range of problems important to improve all tourist activities of the region, aimed at developing potential of tourism operators, supporting specific tourist products, increasing tourism potential of recreation areas, marketing support for tourism at the level of both individual products and the region.

Area 4 includes ideas that should ensure:

- improving the range and quality of the region's tourism offer;
- organizing of and informing of the region's festivals and fairs;
- improving and labeling important tourist and recreational facilities;
- advertising regional tourism potential;
- developing cooperation among providers of rural tourism services;
- setting up a tourist information center;
- developing marked bike paths, motor roads and camping facilities; and
- creating rest areas along highways leading to tourist facilities.

In our judgment, implementation of the ideas of the above areas should contribute to achievement of the following results:

- attracting investments to the region's economy;
- ability of the region's cities and districts to attract investment resources;
- creating new jobs and increasing the region's budget revenues;
- reducing dependence of the region on imported energy resources;
- improving the environment for doing business and developing communities;
- improving access of small and medium business to credit resources and loan facilities for business development;
- improving quality, speed and transparency of providing administrative services;
- standardizing and certifying export products in accordance with international standards;
- improving quality of exporters' products;
- developing small and medium business, rural tourism;
- creating additional opportunities for development of local tourist products and services;
- forming a positive tourist image of the region and intensification of tourist flows through its territory; and
- resuming vigorous economic activity in the territories that suffered as a result of the Chernobyl NPP accident [9, pp. 14-18].

It is worth noting that the suggested areas will be formed in the years that are extremely difficult for the country and the region – amid significant economy shrinking in the context of the country's reform and external aggression. Therefore, there are two main conditions for their formation: first, the success of the reforms declared by the Government of Ukraine in the State Strategy of Regional Development of for the Period until 2020; second – effectiveness of response to external challenges related to the military conflict.

---

**ІННОВАЦІЇ**

---

The third condition is the next factor of successful implementation of the ideas of the areas ensuring sustainable development of small and medium entrepreneurship, to wit availability and transparency of the financial resources of the State Fund for Regional Development, as well as institutional and human capacity of those implementing individual ideas.

The fourth condition for successful implementation of the ideas of the areas ensuring sustainable development of small and medium entrepreneurship consists in mobilization of the resources allocated through appropriate government programs via the Ministry of Industrial Policy of Ukraine, Ministry of Infrastructure of Ukraine and State Agency of Automobile Roads of Ukraine.

The fifth condition lies in the ability of regional authorities to combine efforts of all those participating in implementation of the Region Development Strategy: institutions of state and local power, business, educational and scientific institutions, and nongovernmental organizations.

The sixth condition for successful implementation of the ideas of the areas ensuring sustainable development of small and medium entrepreneurship implies a high-performance Agency for Regional Development that will be able to coordinate implementation of all ideas, help raise additional funds and conduct lobbying activities [10, pp. 143-145].

As to the principal risks of developing and introducing the areas designed to ensure development of small and medium entrepreneurship, they are as follows:

- country's GDP critical drop (below 20% per annum);
- region's and country's overall investment rating downgrade;
- failure to meet the revenue side of the regional budget, lack of funds in the development budget;
- lack of the announced amount of funds to be allocated to the State Fund for Regional Development or violation of procedures for submitting projects in order to receive funds; and
- weak motivation of the residents to participate in implementation of the ideas of the above areas.

**Conclusion.** To sum up the aforesaid, it may be concluded that effective operation and development of small and medium business in Ukraine require considering its specific functions, principles and factors affecting its activities [11, pp. 638-640]. Just small and medium entrepreneurship encourages development of modernization-oriented changes in the country's economy, and creates conditions for implementation and expansion of market reforms. Successful implementation and stability of each suggested area aimed at building and operation of small and medium business is based on balanced consideration of state (regional) and private interests. Therefore, there is a need for, wherever possible, combination of government and private funding in addition to funds coming from local budgets and international technical assistance projects and programs. Creating a critical mass of concerned parties participating in and supporting implementation of the ideas presented requires participation of entrepreneurs, investors, local, district and regional authorities, scientific institutions, educational establishments, nongovernmental organizations and so on.

**References**

1. Butko, M. P., Popelo, O. V. (2011). Rol maloho pidpriemnytstva u pryskorenni protsesiv innovatsiinoho rozvytku v Ukraini [The Role of Small Entrepreneurship in Accelerating Innovation-Based Development Processes in Ukraine]. *Ekonomist*, № 5, pp. 49–53 [in Ukrainian].
2. Varnaliy, Z. S. (2008). [Small Entrepreneurship: the Fundamentals of Theory and Practice]. Kyiv : "Knowledge" Society, Kyiv Regional Organization, pp. 302 [in Ukrainian].
3. Vorotina, L. I. (2009). Mozhyvosti zberezhenia pidpriemstv sektoru maloho biznesu ekonomiky Ukrainy [Possibilities of Maintaining Enterprises of the Small Business Sector in Ukraine's Economy]. *Teoretychni ta prykladni pytannia ekonomiky: zb. nauk. pr. - Theoretical and Applied Issues of Economy : A collection of scientific papers*. Kyiv : Publishing and Printing Center "Kyiv University", Issue 19, pp. 32–38 [in Ukrainian].
4. Herasymchuk, Z. V., Raksha, N. V. (2009). Teoretychni zasady formuvannia konkurentnykh perevah maloho pidpriemstva yak osnovy pidvyshchennia rivnia yoho konkurentospromozhnosti [A Theoretical Framework for Building Competitive Advantages of Small Entrepreneurship as a Basis for Raising the Degree of its Competitiveness] // *Scientific bulletin of Chernihiv State Institute of Economics and Management*, № 3 (4), pp. 32–41 [in Ukrainian].
5. Danylyshyn, B. M., Kondrashov, O. M. (2010). Derzhavna pidtrymka ta podatkovye rehuliuвання pidpriemnytskoi diialnosti v Ukraini [Government Support for and Tax Regulation of Entrepreneurial Activities in Ukraine]. Donetsk : Yugo-Vostok Publishing House, 296 pp [in Ukrainian].



---

**ІННОВАЦІЇ**

---

6. Kredisov, V. I. (2003). *Podpriemnytstvo – vyrishalniy faktor rozvytku krain z perekhidnoiu ekonomikoiu* [Entrepreneurship as the Decisive Factor in Development of Transition Economies]. Kyiv : Znannia Ukrainy Publishing House, 327 pp [in Ukrainian].

7. Serova, I. A., Shapovalova, V. O. (2009). *Konspekt lektsii z navchalnoi dystsypliny «Biznes-statystyka» dla studentiv spetsialnosti 8.050110 «Prykladna statystyka» vsikh form navchannia* [Notes of Lectures on the Academic Discipline "Business Statistics" for Applied Statistics Students (8.050110) of all Modes of Study]. Kharkiv : Publishing House of Kharkiv National University of Economics [in Ukrainian].

8. Bezuhla, L. S. (2011). *Sotsialno-ekonomichni funktsii derzhavy shchodo rozvytku maloho ta serednoho pidpriemnytstva v Ukraini* [The Socio-Economic Functions of the State as Concerning Development of Small and Medium Entrepreneurship in Ukraine]. Electronic scientific professional edition "Public administration: improvement and development" № 2, pp. 143–145 [in Ukrainian].

9. Andreev, O. V., Vaschenko, K. O., Varnaliy, Z. S., Heets, V. M., Libanova, E. M. et al. (2010). *Pro stan ta perspektyvy rozvytku pidpriemnytstva v Ukraini: natsionalna dopovid* [On the Status of and Prospects for Development of Entrepreneurship in Ukraine: A National Report]. Kyiv : State Committee of Ukraine for Regulatory Policy and Entrepreneurship [in Ukrainian].

10. Ryzhakova, H. M. (2010). *Prohnozuvannia obsiahiv realizatsii produktsii malykh pidpriemstv Ukrainy* [Forecasting Volumes of Sales of Small Enterprises in Ukraine]. *Formation of Market Relations in Ukraine*, № 6, pp. 143–145 [in Ukrainian].

11. Pogodayev, S. E. (2013). [Marketing of works as a source of the new hybrid offerings in widened marketing of goods, works and services] / *Journal of Business and Industrial Marketing*, 28 (8), pp. 638–648 [in English].

**Література**

1. Бутко, М. П. Роль малого підприємництва у прискоренні процесів інноваційного розвитку в Україні / М. П. Бутко, О. В. Попело // *Економіст* – 2011. – № 5. – С. 49–53.

2. Варналій, З. С. *Мале підприємництво: основи теорії і практики* / З.С. Варналій. – 4-те вид., стер. – К. : Знання, КОО, 2008. – 302 с.

3. Воротіна, Л. І. *Можливості збереження підприємств сектору малого бізнесу економіки України* / Л. І. Воротіна // *Теоретичні та прикладні питання економіки: зб. наук. пр.* – К. : Видавничо-поліграфічний центр «Київський університет». – 2009. – Вип. 19. – С. 32–38.

4. Герасимчук, З. В. *Теоретичні засади формування конкурентних переваг малого підприємства як основи підвищення рівня його конкурентоспроможності* / З. В. Герасимчук, Н. В. Ракша // *Науковий вісник ЧДІЕУ*. – 2009. – № 3 (4). – С. 32–41.

5. Данилишин, Б. М. *Державна підтримка та податкове регулювання підприємницької діяльності в Україні: монографія* / Б. М. Данилишин, О. М. Кондрашов. – Донецьк : Юго-Восток, 2010. – 296 с.

6. Kredisov, V. I. *Підприємництво – вирішальний фактор розвитку країн з перехідною економікою* / В. І. Кредисов. – К. : Знання України, 2003. – 327 с.

7. *Конспект лекцій з навчальної дисципліни «Бізнес-статистика» для студентів спеціальності 8.050110 «Прикладна статистика» всіх форм навчання* / укл. І. А. Серова, В. О. Шаповалова. – Харків : Вид. ХНЕУ, 2009. – 90 с.

8. Безугла, Л. С. *Соціально-економічні функції держави щодо розвитку малого та середнього підприємництва в Україні* / Л. С. Безугла // *Державне управління: удосконалення та розвиток* : електронне наукове фахове видання. – 2011. – № 2. – С. 143–145.

9. *Про стан та перспективи розвитку підприємництва в Україні: національна доповідь* / О. В. Андреев, К. О. Ващенко, З. С. Варналій, В. М. Геєць, Е. М. Лібанова [та ін.]. – К. : Державний комітет України з питань регуляторної політики та підприємництва, 2010. – 219 с.

10. Рижаківа, Г. М. *Прогнозування обсягів реалізації продукції малих підприємств України* / Г. М. Рижаківа // *Формування ринкових відносин в Україні*. – 2010. – № 6. – С. 143–145.

11. Pogodayev, S. E. *Marketing of works as a source of the new hybrid offerings in widened marketing of goods, works and services* / *Journal of Business and Industrial Marketing*. - 2013. – 28 (8), pp. 638–648.

Received for publication 8.09.2016

**Бібліографічний опис для цитування :**

Romanenko, Y. A. *Sustainable economic growth of the small and medium businesses in Ukraine on the basis of innovation development of diversified economy* / Y. A. Romanenko, I. V. Chaplay // *Науковий вісник Полісся*. – 2016. – № 3 (7). – С. 134–139.