

Степанів Степанів

**Management mechanisms and
development strategies of
economic entities in conditions
of institutional transformations
of the global environment**

**Collective monograph edited by
M. Bezpartochnyi**

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The authors of the book have come to the conclusion that it is necessary to effectively use modern management mechanisms and development strategies of economic entities in order to increase the efficiency of their activities. Basic research focuses on diagnostics threat of bankruptcy, assessment of bioenergy potential, intellectual property, efficiency of corporate governance, use of information support, ensuring competitiveness of banking institutions, functioning of the tax system and its decentralization, assessment of the investment climate and investment risks, functioning of a small business. The research results have been implemented in the different models of cluster structures, mechanisms for monitoring the quality of health care, predicting the convergence of economic development, innovative development models, and development strategies of economic entities in various sectors of the economy in the context of euro integration. The results of the study can be used in decision-making at the level of international business, ministries and departments that regulate the processes development of economic systems, ensuring stability and efficiency. The results can also be used by students and young scientists in modern concepts of the development of economic entities in the context of institutional transformations of the global environment.

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the rules of security in the Internet, can lose, for example, money from your bank account. However, virtual tour under no circumstances endangers human life and health.

4) The contactless way to get acquainted with a country, region, or object is comfortable for people who do not speak foreign languages. It does not provide for direct verbal communication with indigenous peoples and thus avoids difficulties associated with lack of knowledge of the language and lack of knowledge about the place of residence. For some people virtual tourism is a preparation for a real journey.

Speaking about attractive aspects for a service provider, need to make the following caveat. If a consumer of virtual tourism services can be considered an individual (a group of people), producers can act then different economic agents. Often, these are institutions of culture, sports, education, etc. Of course, a separate group should be allocated directly enterprises of the tourism sphere.

Each group gets its benefits from entering in the virtual tourism space. In entrepreneurs have the opportunity to offer their services or goods (if it is, for example, real estate in attractive tourist centers) when selling, to increase customer loyalty. In cultural institutions – organize educational programs, to promote cultural heritage in wide circles of the population. In all cases, virtual tour allows to create an image of a modern, innovative-oriented organization.

Virtual tourism is also a promising means of promoting one or another recreation area, it gives an opportunity the potential traveler to get acquainted with the cultural, historical, recreational opportunities the places of visit and choose for themselves the most interesting objects. Virtual tourism enhances the desire to visit attractive places and see everything with their own eyes, thus, it stimulates a person to make a real trip.

In conclusion, it should be noted that virtual tours in the short term perspective will certainly not be able to completely replace the real trips, but their obvious advantages over traditional tourist products should be the impetus for the formation and further development of virtual technologies in the sphere of tourism. It is reasonable to assume the creation in the future of a powerful industry, in which virtual tours will become a popular consumer product, examples of which we can already see today.

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ROLE OF THE STATE IN THE SYSTEM OF REGULATION OF SMALL BUSINESS IN THE TRANSCARPATHIAN REGION

The basis for the activity of small business in any country in the world is the legal framework. The leadership of each country chooses the optimal system for entrepreneurial activity so that at the same time business representatives are provided with the necessary conditions for carrying out their activities, and on the other hand, it would be possible to fill the budget of the country. This is an important stage in formation the economic policy of the state, especially for developing countries,

since their development depends directly on the effective functioning of business structures. The experience of the developed countries shows that for the dynamic development of both business and the state as a whole, it is necessary to adhere to the rules in order not to hinder the activity of business entities from the state and give it the opportunity for development of business. What about business representatives, it is necessary to clearly observe its obligations to the state, so that it receives revenues to the budget, which will eventually lead into the significant changes of the country's economic system [3].

In fact, in Ukraine, the legal basis for entrepreneurial activity stay at the development stage. This is due to the fact that the legal base for the registration of enterprises, the division of enterprises into small, medium and large, as well as the method of their taxation, is changing. State regulation of small business, as well as all other structures should be transparent and regulated. The clear principles of constructing the regulation of enterprise activity have the greatest economic effect for both the state and the population [4]. These measures should be integrated into the regional policy of the enterprises, which should take into account the specifics of the regions and the most effective areas for business. The introduction of trends and the implementation of improvement measures in the activity of small businesses in the regions directly depend on the formation of a consistent state regulatory policy, as well as on the activities of management bodies in the field of economic activity. That is why the main goal is a state regulation of enterprise activity and reducing the risks of economic crises [10].

In general kind, state regional policy – a constituent of the domestic policy, which is aimed at managing development in the regional aspect? Such policy forms relationship between the state and the regions. It significantly differs from the policies, which regulate certain industries, therefore, is guided by concrete territories (regions). Considering features of certain regions, the regional policy on the development of small business aims to influence by means of use spatial features on small business, to contribute to its development. These are the responsibilities of the Ministry of Regional development, Construction, Housing and Communal Service of Ukraine. Based on the regional policy of small business development corresponding programs of each region have to be formed. The place of regional policy in state regulation of small business enterprises of regions is schematically represented in Figure 5.5 [6]. From the picture, we understand that the state regulates the activity of small business in the country, as

regional and local self-government authorities can implement small business development programs and control its activities by authorized state bodies.

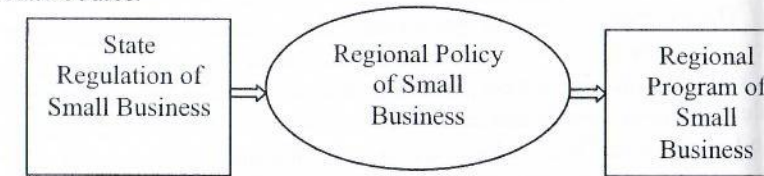


Figure 5.5 Place of regional policy of small business development in the state regulation [6]

The most important task of regional development is the creation of favorable conditions for self-sufficient and even development of regions, which includes:

- structural and technological changes in the economy,
- balanced and sustainable development of both regional centers and small villages and towns,
- development of tourism and healthcare sectors,
- reducing interregional gaps in socio-economic development.

Local state administrations and local governments are urged to carry out an important organizational mission for creation of conditions for development of small and medium enterprises in the region. As declared in Article 9 of the Law of Ukraine "On Development of Small and Medium-Sized Enterprises in Ukraine" the powers of local state administrations in the field of small and medium enterprises development include:

- 1) definition of regional priorities and types of state support taking into account nation-wide priorities;
- 2) development of projects of regional and local development programs for small and medium enterprises, ensuring their implementation considering national priorities, national and regional socioeconomic, ecological, cultural and other peculiarities; monitoring of the implementation of such programs;
- 3) promoting the development of interregional cooperation of small and medium enterprises;
- 4) ensuring the promotion and popularization of entrepreneurial activity;
- 5) establishing cooperation with international organizations and administrative-territorial entities of foreign states concerning the development of small and medium enterprises;

6) carrying out an assessment of the financial, economic, social and other indicators of the development of small and medium enterprises and the level of effectiveness of state support, forecasting the development of small and medium enterprises in the respective regions of Ukraine;

7) assistance in the development of infrastructure supporting small and medium-sized enterprises in the relevant regions of Ukraine;

8) methodical provision of local self-governments, assistance to development and implementation of measures for the development of small and medium-sized enterprises [1].

The above-mentioned Law of Ukraine provides the activating activity of local self-government bodies on promoting the development of small and medium-sized enterprises, whose powers include:

1) determination of priorities and types of state support of small and medium enterprises, taking into account nation-wide priorities;

2) participation in the project development of regional and local programs for the development of small and medium-sized enterprises, their statements and executions taking into account nation-wide priorities; regional development of the small business; 132 national and local socio-economic, ecological, cultural and other peculiarities; monitoring of the implementation of such programs;

3) assistance in the formation of infrastructure supporting of the small and medium-sized enterprises;

4) assistance in the activity of public organizations representing the interests of small and medium enterprises;

5) formation of consultative bodies, advisory and other subsidiary bodies in the field of development of small and medium enterprises [1].

The process of small business regulation at the regional level is a little complicated, in connection with territorial distinctions of regions and their uneven development. Because of such situations need to apply different approaches both to development and to regulation of business activity in general and small business as its component. These approaches should be defined by the regional policy for the development of small businesses [5]. The development of small business is the necessary component for the further economic development. But, at this stage there is a tendency of complication the conduct of small business. It is a negative factor which needs to be solved. There is an integration of large business that is connected with the development of oligarchic structures and monopoly which harms healthy competition in the economy market [3]. The legislative base concerning with

entrepreneurship has to provide conditions for its effective functioning and getting by them profits, because it is also in the interests of the state.

Small and medium business in Ukraine provides 79,1% of jobs and creates 59% of value added. At the same time, medium-sized enterprises in Ukraine are proportionally larger than in the EU. At the same time, small enterprises form only 8,5% of added value and provide with jobs 35,2% of the employed population. One of the main factors that reflects the role of small business in the state's economy is its share of GDP as separate regions and the state as general. In 2016, in Ukraine, 99,8% of businesses were small and medium-sized ones; however the share of small businesses in GDP was only 15% [9]. In comparison, the share of small and medium-sized enterprises in GDP is equal to 70% in the European Union. In Ukraine, compared to the EU, this indicator is much smaller as we have a large share of GDP under the leadership of oligarchic structures.

It badly affects the development of both the state and regional economies, due to the fact that the oligarchy is acting in its interests. It extends the monopoly to all activities. The development of small and medium businesses slows down due to the oligarchy influence on the country's market economy. However, statistical data indicate that the share of large business in GDP of Ukraine was reduced by 8,4%, from 49,1% in 2012 to 40,7% in 2016, in favor of small +4,4% and medium business +4% [9]. The obvious tendency of growth of small and medium-sized enterprises is clear in recent years. The State Statistics Service does not provide calculation of a share of small business in GDP of regions, but provides only summary data of these indicators. However it is possible to determine the level of small business development by this criterion.

Also, one of the criteria for calculating the development of the country and its regions is the gross regional product. The dynamics of the change of the gross regional product for the Transcarpathian region is presented in Figure 5.6 [9]. From this figure, we can see that the gross regional product in the hryvnia equivalents is increasing, although for calculation of the real situation it is also necessary to consider the currency fluctuations in the market, which considerable influence on the national economy, due to the instability of the national currency.

In 2016, in percentage the share of the gross regional product of the Transcarpathian region to the general indicator in Ukraine is 1,35% [9]. It is caused by the fact that most of entrepreneurs in the territory of the Transcarpathian region are engaged in trade, rather than the production

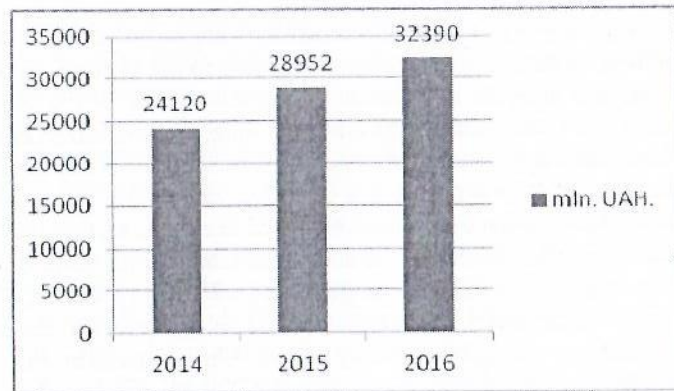


Figure 5.6 Gross regional product (mln.UAH) [9]

of value added products, which would improve the region's overall performance in Ukraine. The efficiency of the functioning of the economy at the regional level, we can follow through gross regional product in per capita, which is calculated from the gross regional product. This indicator is shown in Figure 5.7 [9]. It becomes clear that in recent years there has been an increase in the indicators of the gross regional profit in the Transcarpathian region. It is caused by a balanced regulatory policy of the state at the regional level.

Considering that the share of small businesses in the gross value added production is insignificant, a holistic and well-balanced state policy on the development of small business for short and long-term outlook and strengthening the activity of regional executive power, local self-government and territorial communities is necessary.

The criterion that can be calculated from the gross regional product is the index of the physical volume of the gross regional product, which is calculated as a percentage of the prices of the previous year. Data for this index are shown in Figure 5.8 [9]. From this figure, we can see that there has been a sharp change in the index in 2015. This could be due to the deepening of the political crisis and sharp depreciation of the national currency, which also affected the economic indicators of both Ukraine and Transcarpathia [10].

Impact on these data has small business, but the state does not lead the separate indicators on the quality of influence of small business on the formation of the gross regional product. Maintaining such statistical data would help to improve the quality of small business, increase the gross regional product and improve the economic situation in Ukraine in general [3].

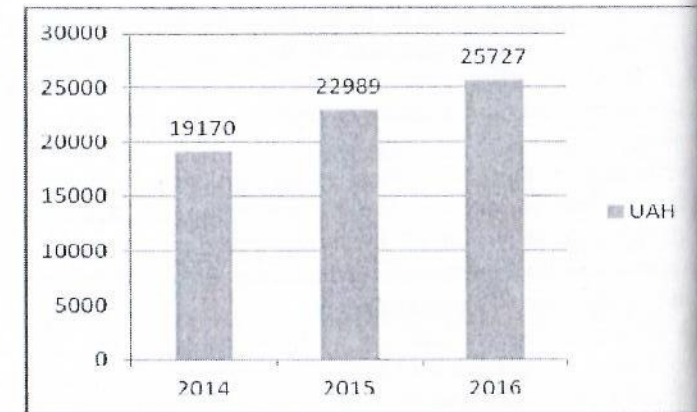


Figure 5.7 Gross regional product per person (UAH) [9]

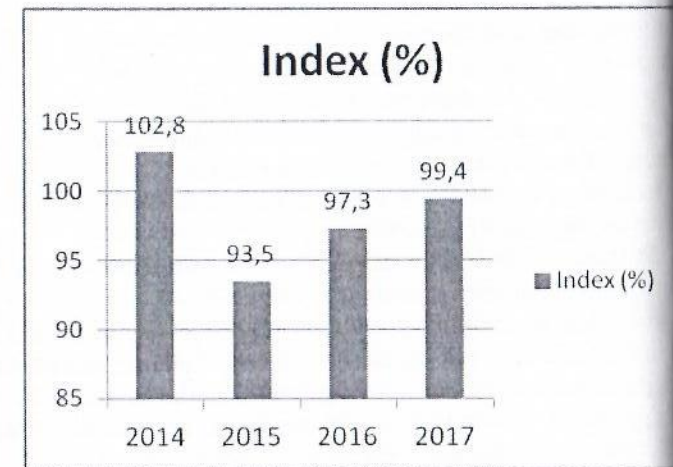


Figure 5.8 Index of physical volume of the gross regional product in the prices of the previous year (%)

The leverage of the state regulatory policy on small business development is also the implementation of concepts and economic strategies for more clearly forming goals that will promote development of small business and increase its role in the formation of the gross domestic product of the state and gross regional product. The leverage of regulatory policy of the state on development of small business is also the implementation of concepts and economic strategies

for more accurate formation of the purposes contributing to the development of small business and to raise its role in formation of gross domestic product of the state and a gross regional product.

One of such strategy is the "Strategy for the Development of Small and Medium Enterprise in Ukraine" for the period up to 2020, which was approved by the Cabinet of Ministers of Ukraine in May 2018 [8]. It is intended to increase the role of small and medium-sized businesses in the Ukrainian economy. The strategy will focus on six key areas:

- deregulation,
- simplify the access of small and medium-sized business to financing;
- simplify tax administration
- increasing the popularity of entrepreneurship
- the involvement of small and medium enterprises in foreign economic activity,
- ensuring innovation of small and medium businesses.

The implementation of this strategy will promote fixing of system approach to the formation and realization of state policy in this area and to the creation favorable conditions for the development of competitive small and medium business.

We came to conclusion that the main objective of the state policy of small business development is the creation of stable business conditions for small business entities and to fill the budget for the state. The state has to provide the necessary conditions for conducting small business as its effective functioning forms a basis for creation a market economy.

Consequently, it can be argued that at regional level it is necessary to take into account the experience of the European Union countries in order to formulate programs for the development of small business in the priority economic activities of Transcarpathian region. In the software formation process for small business development it is expedient to use one of the most widespread and effective methods of state regulation of economy which are applied in the majority of the developed countries – a program and target method of planning. It is based on the orientation of activities to achieve the main goals set in accordance with the logical scheme: goals – ways – methods – means – evaluation of results. In the conditions of deficiency Regional development of the small business of financial and logistical resources target programs allow to concentrate attention on the outline of the priority areas of development of the business sector.

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