

CHAPTER «ECONOMIC SCIENCES»

DIRECTIONS OF THE DEVELOPMENT OF SMALL AND MEDIUM-SIZED ENTREPRENEURSHIP AT THE LOCAL LEVEL

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Abstract. Small and medium-sized businesses are primarily focused on the needs of the territory in which they operate. At the same time, the resulting positive impact from the activities of small and medium-sized enterprises (SMEs) is provided more for the local economy. This study aims at identifying priorities and prospects for promoting the development of small and medium-sized entrepreneurship (SME) at the regional and local levels, which in turn will ensure the progressive socio-economic development of the country as a whole. In this article, the SME sector is considered as a separate institute of development, which contains considerable intellectual potential and is the main driving force for innovations, solving a number of pressing socio-economic problems of society. Both general scientific methods of cognition (analysis, synthesis, induction, etc.) and logical methods of economic analysis (method of complex estimations, comparison and grouping, statistical methods of series of dynamics, forecasting, graphical methods, etc.) are used in the work. The method of SWOT-analysis was also used in the study of the SME development characteristics of the selected region of Ukraine (Carpathian region), the recommendations on improving the efficiency of SME development in the region were proposed. In particular, the SWOT-analysis methodology made it possible to offer reasonable directions of SME development at the local level, such as mechanisms to support the development of the intellectual potential of the region and innovative activity.

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Consequently, this study analyzes and identifies general trends in the development of small and medium-sized businesses in Ukraine over the past eight years. Conclusions were made regarding the noticeable unevenness of the geographical location of SMEs in the cross-section of Ukrainian regions, the high concentration of small and medium-sized businesses in large cities. This, as well as other identified patterns, based on the analysis of qualitative indicators of the work of SMEs, make it possible to conclude that small and medium-sized businesses do not fully realize their potential in fact. Therefore, the development of SMEs in small towns and united territorial communities remains promising. This study also conducted a detailed analysis of the development of small and medium-sized businesses at the local level (based on the example of the Ivano-Frankivsk region of Ukraine).

Problem areas that are typical for other regions of Ukraine have been identified, conclusions have been summarized, and priority directions for the development of small and medium-sized businesses as a progressive institute and the driving force for the socio-economic development have been proposed. Among the suggestions and recommendations that contain elements of scientific novelty, ways to intensify the development of small and medium-sized entrepreneurship by creating clusters and improving the regional target SME support program can be identified.

1. Introduction

The development of regional and local economies sets the tendencies of socio-economic development of the state as a whole. At the same time, in order to stimulate the economy of certain territories, the development of small and medium-sized businesses of the respective area should be ensured.

Small and medium-sized businesses are fully affiliated with the territory in which they operate. Small businesses are created using the competitive advantages of the local economy, taking account of the needs of the local consumer. At the same time, one should not forget that small and medium-sized businesses solve socio-economic problems, primarily at the regional and local levels.

Therefore, SMEs are a driving force for the development of the territory, the region and the state as a whole. The SME sector in Ukraine, and in

Ivano-Frankivsk region in particular, makes up more than 99% of the total number of enterprises. It is noteworthy that 95% of all employed persons are involved in small and medium-sized enterprises [1; 2]. Since this sector has mainly a regional focus, local authorities are primarily interested in the effective operation of small and medium-sized enterprises, which also provide significant budgetary income and create jobs. Therefore, the relevance of this study is attributable to the need to find ways to enhance the development of small and medium-sized entrepreneurship at the local level – in the Ivano-Frankivsk region of Ukraine, because this sector of the economy is the basis for socio-economic development of the region and the state as a whole. As well, small and medium-sized enterprises contribute to the socialization of the economy and have considerable innovative and intellectual potential.

Analysis of recent research and publications. Many scientists in their works investigated the problems of development of small and medium-sized entrepreneurship, namely: Vasylytsev T.Kh., Geyets V.M., Dryha S.K., Kamushkov O.S., Kolisnichenko D.V., Lyapina K.M., Mantsurov I.Kh., Olvinskaya Yu.O. and other scientists. The cluster approach, which is also considered in this article, was investigated by the following scientists: A. Marshall, M. Porter, V.G. Fedorenko, A.M. Tugay, A.F. Goyko, O.D. Serik, A.I. Butenko, E.V. Lazareva. However, a number of issues, in particular about the relevance of the development of SMEs to the local economy and the formation of prospects for its intensifying on the local scale of the national economy, need a more thorough consideration.

The purpose of this study is to develop recommendations for enhancing the development of small and medium-sized entrepreneurship at the local level, based on the example of the Ivano-Frankivsk region of Ukraine. Specific objectives are: to characterize the conditions of development of small and medium-sized enterprises in Ukraine and in Ivano-Frankivsk region in particular; to identify problems and obstacles to SME development at the local level; to develop recommendations for increasing the effectiveness of the implementation of the strategy of development of small and medium-sized enterprises in the selected region and in other regions of Ukraine as a whole.

Scientific novelty. The paper provides a comprehensive analysis of the development of small and medium-sized entrepreneurship in Ukraine and

on the example of the selected region. The SWOT-analysis of the SME development in the region was conducted and ways to enhance the establishment and operation of small and medium-sized entrepreneurship at the local level, in particular through creating clusters and improving the regional target program, were suggested.

2. Review of the development of SMEs in Ukraine

In order to understand better the importance of small and medium-sized entrepreneurship for the development of a region, it is advisable to determine its specific features, namely: mobility, flexibility, local orientation, financial independence, innovativeness, individualization of consumer, etc. [3]. SMEs are involved in solving both economic and social problems. The economic impact of SME development is manifested in payments to budgets of all levels, new jobs and income of a part of the population, a competitive domestic product, a positive image of the state at the international level, etcetera. The social impact of SME development, respectively, in a reduction in unemployment, socialization of the economy, a strong middle class, a higher quality of life, and so on.

Therefore, it was noted that in 2014, the number of SMEs in Ukraine decreased significantly by 52 164 entities and amounted to 340 504 units (79 per 10 thousand population), which was caused by political instability and social tension. Unfortunately, this decline continued until 2016, when it was the lowest in all years – 72 SMEs per 10 thousand population (Figure 1).

However, already in 2018, this number increased significantly and exceeded the 2014 figure (Figure 1, 2). Accordingly, in total, there are 84 SMEs per 10 thousand population in Ukraine (Figure 2).

Considering the geographical location of SMEs by region of Ukraine, it was noted that the largest number of SMEs is concentrated in Kyiv and makes up 25.7% of the total in Ukraine (Figure 3). In the Ivano-Frankivsk region it is necessary to promote the development and increase of the number of small and medium-sized enterprises, since the share of the SMEs is not large enough, compared to other regions.

Of course, the number of entities varies by region not only because of the different level of activity in the region, but also because of the number of economically active population, the size of the territory, the activity of local authorities and so on.

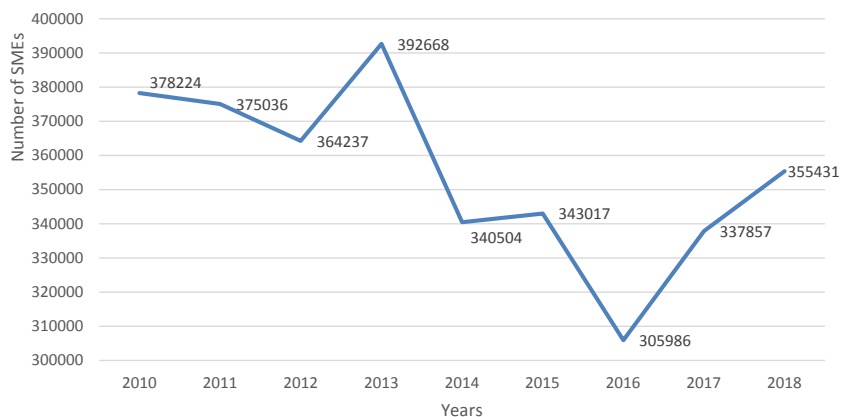


Figure 1. Number of SMEs in Ukraine in 2010-2018 [1]

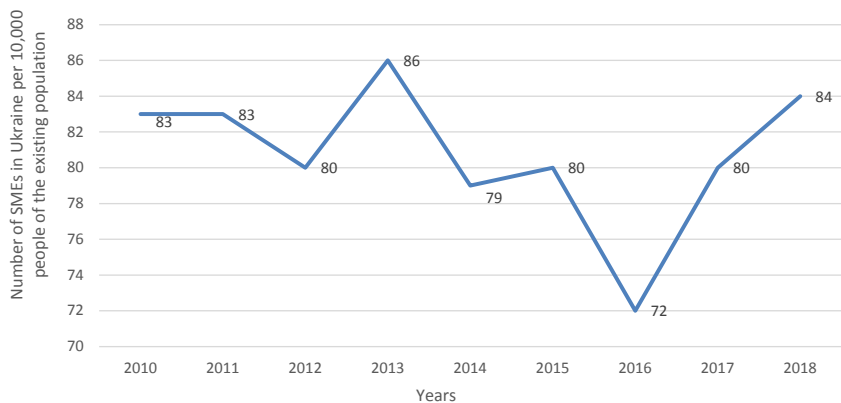


Figure 2. Number of SMEs in Ukraine per 10,000 people of the existing population in 2010-2018 [1]

The situation is similar with the number of employed in small and medium-sized enterprises by regions in Ukraine (Figure 4).

The structure of the sector of small and medium entrepreneurship in Ukraine is dominated by microenterprises, which in 2018 occupied 82.37%, small businesses respectively 13.11%, while the medium-sized ones – only 4.52% [1].

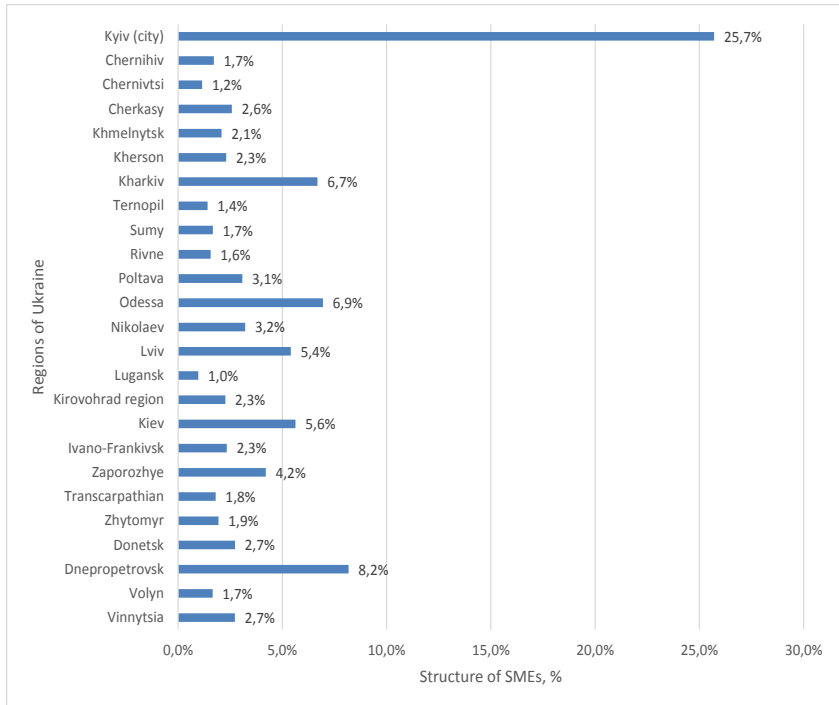


Figure 3. Structure of SMEs in Ukraine by regions in 2018 [1]

The volume of sales of small and medium-sized enterprises has increased rapidly since 2014 (Figure 5). One of the reasons for such increase is a significant inflation.

When compared the volumes of sales of SMEs in 2018 by regions of Ukraine, this indicator in the Ivano-Frankivsk region is much lower than in other regions (Figure 6), which confirms the relevance of the study.

Consequently, over the past few years, there has been a generally positive trend in the development of SMEs in Ukraine, but there are a number of problems and obstacles, such as uneven geographical location, high concentration in large cities, and a significant dependence on external factors.

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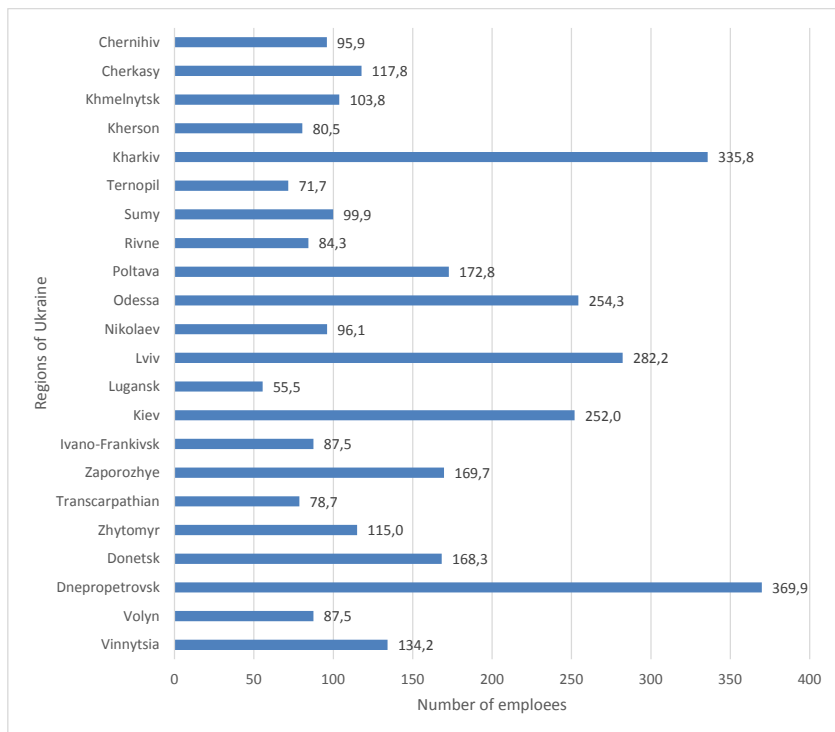


Figure 4. The structure of employees in the SME sector by regions in Ukraine in 2018 [1]

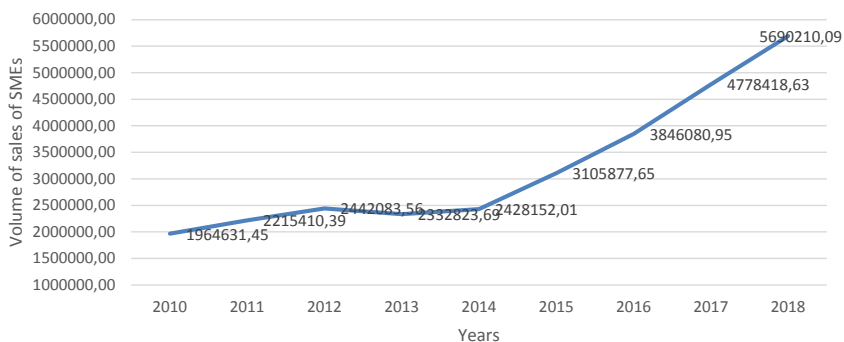


Figure 5. Volume of sales of SMEs in Ukraine in 2010-2018 [1]

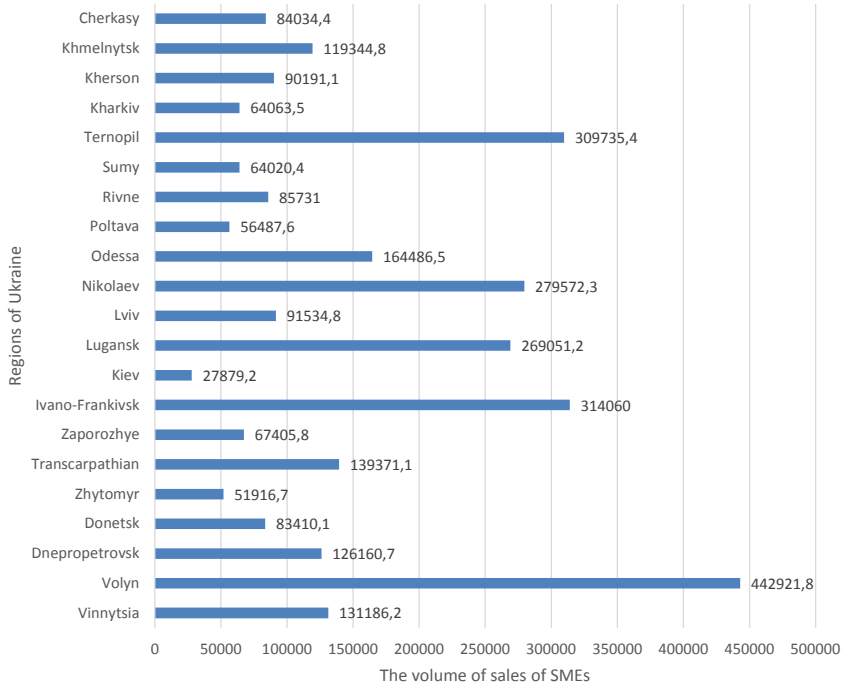


Figure 6. The volume of sales of SMEs in Ukraine by regions in 2018 [1]

3. Analysis of SME development in the region

It is advisable to take a closer look at the SME sector in the Ivano-Frankivsk region – in the Carpathian region, where there is considerable potential for the development of this «small» sector of the national economy.

In general, the number of small and medium-sized enterprises in the Ivano-Frankivsk region has been increasing over the last three years [2].

The number of economic agents in the region is also dominated by micro-enterprises. The largest number of such micro-enterprises is among individual entrepreneurs [2]. This is due to the desire of entrepreneurs to minimize the tax burden on their own businesses, as well as the ease of opening, accessibility and mobility of this category of enterprises.

The number of small and medium-sized enterprises in the region in 2018 increased by 3.8% compared to 2016, although in 2017 this indicator decreased by 1.7% compared to 2016 [2].

This indicates a high level of economic activity in the region, as well as an effective regional policy in supporting small and medium-sized enterprises.

However, in 2018 the number of individual entrepreneurs was slowly increasing, and in 2017 there was a sharp decline in this indicator.

It is noteworthy that 95% of all employed persons are involved in small and medium-sized enterprises.

In 2018, the number of employed persons in small and medium-sized enterprises increased by 12.52% (Figure 7).

One of the reasons for this growth is the increase in the number of SMEs in the region, which is a positive phenomenon for the region.

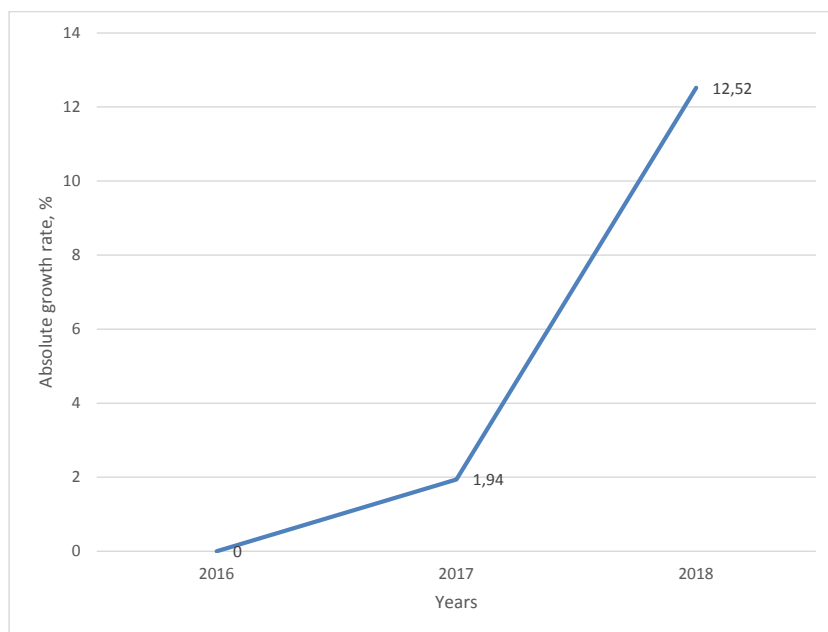


Figure 7. Dynamics of employment in small and medium-sized enterprises in Ivano-Frankivsk region in 2016-2018 [2]

This indicates that the sector is creating a large number of jobs, which contributes to reducing unemployment in the region.

The increase in the number of small and medium-sized enterprises has also caused an increase in the volume of sales and services of these enterprises. In particular, in 2018 this indicator increased by 29.87% compared to 2016.

Regarding the structure of small and medium-sized enterprises by economic activity, in 2018 the Ivano-Frankivsk region is dominated by wholesale and retail enterprises. In the second place – industry, and in the third – construction (Figure 9).

The SME sector in Ivano-Frankivsk region is well developed. However, there are also some problems that hamper the development of SMEs and need to be solved.

The SWOT-analysis of SME development conditions in the Ivano-Frankivsk region is conducted (Table 1).

It is noteworthy that the official statistics concerning small and medium-sized enterprises have several disadvantages.

In particular, there is little data on the activity of individual entrepreneurs, for the most part, they are missing from the statistical tables.

The official statistics of SME activity do not contain data on foreign economic activity of such enterprises, which makes it impossible to analyze

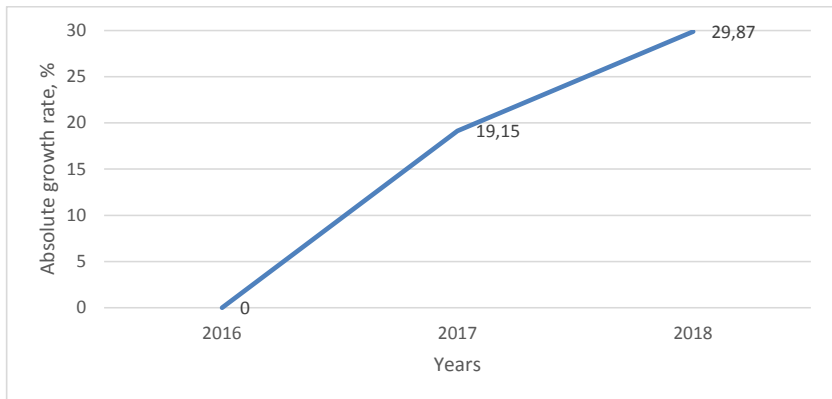


Figure 8. Dynamics of sales volume of small and medium-sized enterprises in Ivano-Frankivsk region in 2016-2018 [2]

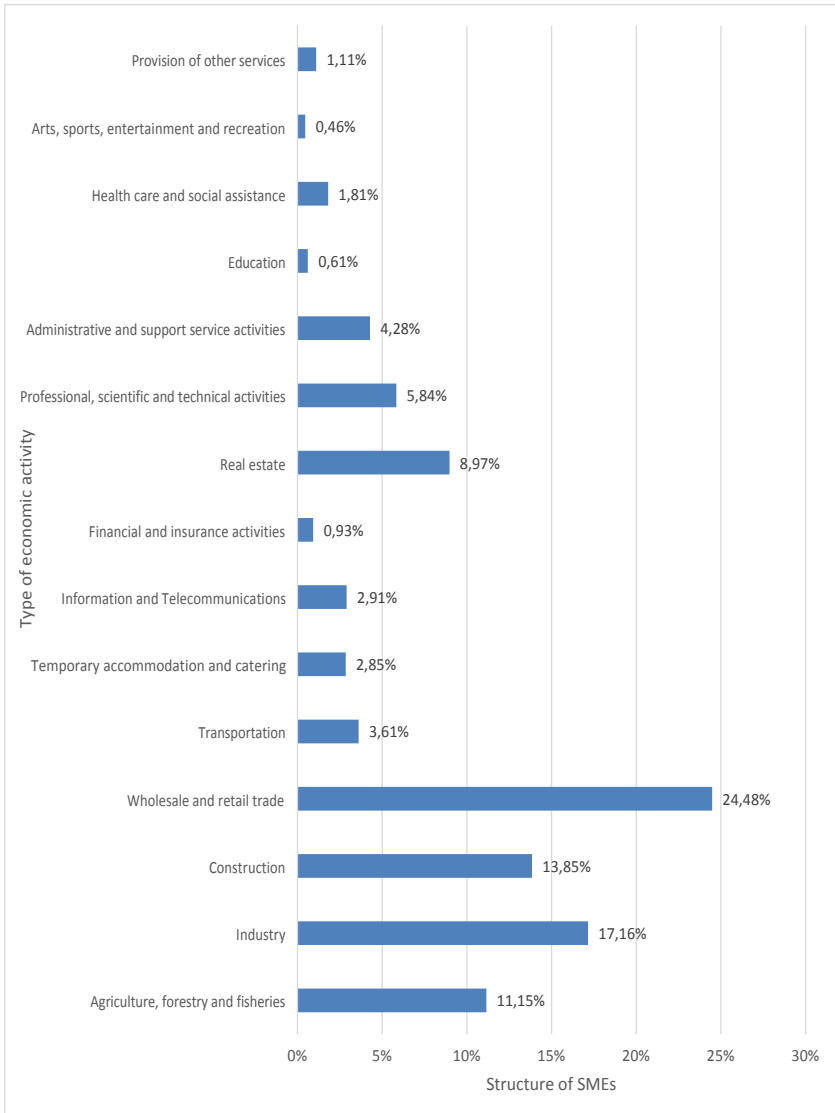


Figure 9. Structure of SMEs by type of economic activity in Ivano-Frankivsk region in 2018 [2]

their export potential. This can be done through a more detailed analysis of the customs declarations data.

There is also no separate data on the volume of capital investments and innovation activity of small and medium-sized enterprises.

Table 1

SWOT-analysis of SME development conditions in Ivano-Frankivsk region

Strengths	Weaknesses
1) favorable geographical location of the area; 2) good cooperation with neighboring states; 3) high level of education; 4) development of business education; 6) considerable resource potential; 7) recreational resources; 8) an international airport; 9) convenient transportation infrastructure; 10) high level of economic activity of the population; 12) developed information technology industry; 13) regular organization of festivals, national holidays; 14) business forums, conferences, trainings, etc.	1) over-regulation of the SME sector; 2) imperfect taxation system; 3) underground economy; 4) migration of qualified personnel; 5) limited access to credit funds; 6) uncoordinated cooperation between academic institutions and small and medium-sized enterprises; 7) low level of implementation of advanced technologies in agriculture; 8) monopoly in the field of gas, water and electricity supply; 9) poor quality of roads.
Opportunities	Threats
1) state support for the development of intellectual potential of the region; 2) implementation of programs for funding the innovation activities of small and medium-sized enterprises; 3) creating clusters in priority industries; 4) association with the European Union; 5) establishing cooperation with international institutions to facilitate the development of small and medium-sized enterprises; 6) improvement of the SME support infrastructure.	1) worsening of the political situation; 2) increased tax burden; 3) discrepancy of study programs with the needs of the market; 4) deterioration of the investment climate in the region; 5) withdrawal of capital; 6) technology obsolescence; 7) strengthening the control of small and medium enterprises by state bodies; 8) increase in the cost of credit resources; 9) reducing the purchasing power of the population; 10) rising inflation, etc.

It would be worthwhile to publish data on budget revenues from SMEs under the simplified taxation system. There are no statistics on lending to SMEs, etc.

There are also other obstacles to SME development in the region, such as over-regulation of the sector, imperfect taxation system, lack of proper protection of intellectual property, insecurity of exporters, insufficient effective state support of small and medium-sized enterprises, limited access to financial resources, high credit rates, corruption, bureaucracy, unstable political situation and others.

4. Priority directions for intensifying of SME development locally

In order to solve the above-mentioned problems and stimulate the development of small and medium-sized enterprises, it is advisable for the authorities and other interested parties to work in the following areas:

- 1) simplification of business registration and regulation procedures;
- 2) development of SME support institutions;
- 3) attraction of foreign investments;
- 4) business education;
- 5) the development of programs of motivation to start their own business, including the formation of a favorable image of a businessman;
- 6) revitalization of innovative development of small and medium-sized enterprises;
- 7) clustering and creation of business associations of small and medium-sized enterprises;
- 8) development of consulting services in the region;
- 9) business cooperation with educational institutions;
- 10) maintaining a simplified tax system;
- 11) improvement of the micro-credit system and other financial support mechanisms;
- 12) facilitating the participation of SMEs in international technical assistance grant programs and improving the business climate;
- 13) digitization;
- 14) exporters insurance;
- 15) training entrepreneurs to develop their own brand, etc.

As already mentioned, innovativeness is one of the most significant competitive advantages of the region. Innovative entrepreneurship is wide-

spread among small and medium-sized enterprises. That is why the following ways of intensifying the development of innovative and intellectual potential of Ivano-Frankivsk region were proposed [4]:

- holding scientific and technical fairs, exhibitions of innovative products of small and medium-sized enterprises;
- involvement of local authorities in creating regional innovative structures and facilitating their development;
- financial support for scientific institutions and organizations, their facilities and equipment;
- improving the system of protection of intellectual property rights;
- improving the skills of intellectuals through the organization of various trainings, seminars;
- deregulation of innovative entrepreneurship by granting regional preferences (privileges, subsidies, exemption from local payments, credit guarantees, etc.);
- intensifying of the SME support infrastructure;
- improvement of grant programs.

Innovative infrastructure has considerable potential to create an intellectual product that is a catalyst for the socio-economic development of the region. However, there is a lack of support for small and medium-sized enterprises. Frequently, such organizations do not agree on their own actions and plans.

Therefore, it is important to promote the cooperation and interaction of various institutions in order to promote innovations.

Organizational forms and mechanisms of such interaction may be: clustering; research centers, technopoles, technoparks, innovative incubators; joint execution of state orders in the scientific and technical sphere, etc.

It is also worth using the successful foreign experience. In particular, Ukraine is already successfully implementing the German practice of establishing links with academic institutions and a dual education system. It is advisable to intensify the work of the Ivano-Frankivsk Chamber of Commerce and Industry in supporting small and medium-sized exporting enterprises. Seminars and presentations should be organized in order to inform entrepreneurs about the possibilities of export to different countries, in particular, about laws, standards and customs barriers. The insurance of exporters' risk should also be introduced to encourage export activities.

A union of so-called «experts-retirees» could also be created. That is, the union of former successful entrepreneurs who would provide advisory support to those who are just starting their own businesses.

This non-profit organization is already successfully operating in Germany and is funded by the Federal Ministry of Economy and Energy [5].

As there are many successful small and medium-sized enterprises in the Ivano-Frankivsk region, it is advisable to create clusters as a form of business interaction. They would contribute to the development of the region as a whole by improving the productivity of SMEs.

Clusters enable small and medium-sized enterprises to be competitive in a market where there are successful large enterprises.

A cluster is an association of small or medium-sized enterprises in one industry, united organizationally and technically into an informal or formal structure in order to protect their interests, reduce the cost of production and promotion of products and services on the market [6].

A cluster is a group of interconnected enterprises and other organizations of specific industries in a specific geographical area that interact and compete with each other [7].

Thus, the cluster can be created not only by theme, but also by geographical feature. Clustering is effective for intensifying the development of the region, so supporting and stimulating clusters is beneficial to local authorities. Local authorities can provide cluster facilities, support various events, etc.

The benefits of clusters:

- 1) increased specialization contributes to more efficient division of labor, which reduces costs and increases productivity;
- 2) more effective customer attraction because of the close interaction between producers and consumers;
- 3) reduction of specific costs for production through joint activities;
- 4) activation of innovative activity of enterprises;
- 5) intensive information exchange and generation of new ideas;
- 6) increasing the efficiency of use of the region's natural resources;
- 7) generation of social capital, which ensures the balance between the economic and social components of social activity.

It is noteworthy that the cluster is not a union of small and medium-sized enterprises solely for profit maximization.

The cluster creates opportunities for the development of business and the entrepreneur by communicating with other entrepreneurs, scientific institutions, higher education institutions, authorities and more.

Through interpersonal communication, it is easier for cluster members to find funding for their own business ideas, get legal and marketing services, etc.

Eventually, the cluster gives you the opportunity to gain new knowledge.

The creation of clusters is, of course, supported by local authorities, but it is an initiative from the bottom, that is, from small and medium-sized entrepreneurs, scientific institutions, etc.

Conditions for successful cluster operation:

- 1) formation of clusters based on the interests of participants;
- 2) investment of own resources in the activities and development of the cluster;
- 3) the long-term cooperation;
- 4) aligning cluster goals with regional and national strategies;
- 5) focus on the region's competitive advantages and available resources.

Since clusters should be created in those sectors where the region has advantages, then priority branches of the Ivano-Frankivsk region should be considered.

Within the framework of the PROMIS project, a survey of entrepreneurs in Ivano-Frankivsk was conducted, which identified the most competitive industries in the city: tourism, trade and services, information technologies, wood and furniture industry, food industry [8].

Tourism can be considered as a priority area of the city, and of the region as a whole. The hospitality industry is highly developed in the Ivano-Frankivsk region. However, this cluster needs improvement, in particular towards implementing effective marketing strategies.

In such a tourist cluster it is advisable to join hotels, travel agencies, restaurants, cafes, exhibition centers, souvenir trade, entertainment establishments, cultural establishments and more.

The influx of tourists depends on many factors, namely: quality of accommodation services, transport infrastructure, level of catering services, level of development of the entertainment industry, organization of cultural events and more. Each of these entities is interested in the effective work of the other, because it increases the income of a particular entrepreneur.

The tourist portrait of the region depends on the level of interaction between these institutions and organizations.

The peculiarity of the tourism sector is that entrepreneurs from different fields can take part in the activities organized by the tourism cluster, as the hospitality industry is very integrated in all areas. This cluster will ensure the marketing of the area as a whole, which will be beneficial to all entrepreneurs of the region. Entrepreneurs of this area cooperate with each other, but only within the city. Instead, there are many sites in the area that could become tourist ones.

Many areas and villages of Ivano-Frankivsk have a significant cultural heritage. For example, Kolomyia, rafting in the village of Dzembronya, village. Yablunytsia with beautiful mountain scenery, mountains Pip-Ivan and Hoverla, Verkhovyna, Kosivschyna, Manyavsky Skit with a waterfall, Town Hall and more. Therefore, it is advisable to create a regional cluster of the tourism industry in the Ivano-Frankivsk region.

As well, an IT cluster is successfully operating in Ivano-Frankivsk, which can be used for other priority areas of the region.

In addition, the creation of agricultural cluster in Ivano-Frankivsk region should also be considered. The agricultural industry is very important. Small and medium-sized agricultural enterprises do not receive enough funding.

Therefore, joint cooperation with other members of the cluster and joint direct sales, cooperation with restaurants will intensify the activities of agricultural enterprises, and then they will be able to be represented on the international market.

The interaction of regional entrepreneurs working in one industry is very effective. This is confirmed by the international experience. In particular, in Germany, the Textilerei fashion industry cluster is successfully operating, with a membership fee of 5% of turnover.

There are many aspiring designers who have creative ideas but cannot implement them. Due to their participation in the cluster, they are able to cooperate with the sewing industry, purchase fabrics at wholesale prices.

In Ivano-Frankivsk region there are enterprises that sew clothes for leading companies in the world. If they teamed up with young promising designers, they could organize different shows and develop the fashion industry in Ivano-Frankivsk.

Creating a cluster is often a situational process. For example, an entrepreneur organizes a certain event that other entrepreneurs of the same industry attend on their own initiative.

At the organizational stage, meetings are usually held. In Ukraine, clusters are, for the most part, legal entities. Instead, abroad the activity of the clusters is often based on the initiative of the participants.

The cluster provides organization of trainings and seminars, access to advanced equipment and advanced technologies, conducting marketing events, fairs, product exhibitions, etc., forms also a number of other benefits.

Clusters can organize various training conferences at the request of scientific institutions, authorities, etc.

5. Conclusions

Based on the conducted research the following conclusions could be formed:

1. SMEs are primarily focused on the situation of the regional market and the needs of the local consumer. At the same time, social and economic impact is directly provided for the development of the local economy.

2. The SME sector should be regarded as one of the main institutions for the development of national and regional economies, capable of ensuring the progressive development of society.

3. The state of development of SMEs in Ukraine reveals a number of problematic issues, such as geographical unevenness of SME concentration, there is also a negative impact of political instability and social tension, misuse of entrepreneurial potential and competitive advantages of certain regions of Ukraine and a number of other obstacles.

4. The following general recommendations can be formulated in order to strengthen the position of the small and medium-sized business sector: successful business requires rational thinking, entrepreneurial skills, relevant skills, constant self-development. For example, in the Ivano-Frankivsk region of Ukraine there are a number of problems and obstacles regarding the development of small and medium-sized enterprises, but they can be successfully solved by effective use of the potential of the region by launching support and incentive mechanisms.

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