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**Galtsova Olga**

Doctor of Economics, Professor,  
Head of the Department of National Economy,  
Marketing and International Economic Relations  
Classic Private University, Zaporizhzhii

**Trokhymets Olena**

Doctor of Economics, Professor,  
Professor of the Department of National Economy,  
Marketing and International Economic Relations  
Classic Private University, Zaporizhzhii

**Гальцова О.Л.**

доктор економічних наук, професор,  
завідувач кафедри національної економіки,  
маркетингу та міжнародних економічних відносин  
Класичного приватного університету

**Трохимець О.І.**

доктор економічних наук, професор,  
професор кафедри національної економіки,  
маркетингу та міжнародних економічних відносин  
Класичного приватного університету

## PROBLEMS OF USING THE INVESTMENT COMPONENT IN THE CONTEXT OF SMALL BUSINESS DEVELOPMENT

## ПРОБЛЕМИ ВИКОРИСТАННЯ ІНВЕСТИЦІЙНОЇ СКЛАДОВОЇ В КОНТЕКСТІ РОЗВИТКУ МАЛОГО БІЗНЕСУ

*The article examines the problems of formation and development of small business in the country, which are summarized as follows: impossible to create a market economy without small business; the macroeconomic situation in Ukraine has a negative impact on the development of small business; it is necessary to create an appropriate regulatory framework for small business development. Non-traditional sources of investment that affect the financing of a small enterprise are identified and analyzed. Based on this, the changes that need to be made to improve the efficiency of small business in the country are outlined. It is noted that in the conditions of the financial and economic crisis in Ukraine the business environment has significantly deteriorated, the development of small business is slow, there is a tendency to reduce business activity. It is proved that the situation in Ukraine and its impact on the development of entrepreneurship have shown that the country has significant amounts of financial resources that do not participate in the development of the national economy, including entrepreneurship. The main reason for this is the lack of adequate mechanisms to protect the interests of investors from the State. The problem of small business financing is considered and analyzed.*

**Keywords:** *small business, small business, internal financing, external financing, credit policy, investment component.*

*У статті досліджено проблеми становлення й розвитку малого бізнесу в країні, які узагальнено як наступні: неможливо створити ринкову економіку без малого бізнесу; макроекономічна ситуація в Україні негативно впливає на розвиток малого бізнесу; необхідно створити відповідну нормативну базу для розвитку малого бізнесу. Зазначено й проведено аналіз нетрадиційних джерел інвестування, які впливають на фінансування малого підприємства. Виходячи з цього окреслено зміни, які необхідно внести для підвищення ефективності діяльності малого підприємництва в країні. Зазначено, що в умовах фінансово-економічної кризи в Україні значно погіршилося підприємницьке середовище, розвиток малого бізнесу відбувається малими темпами, спостерігається тенденція зменшення ділової активності. В ході проведеного аналізу виявлено такі причини: по-перше, відсутність конкретних заходів державної підтримки малого бізнесу, які передбачають активне залучення до цього процесу місцевих органів виконавчої влади; по-друге, високі ставки податків, значна кількість перевірок контролюючими органами, що змушують багатьох підприємців переходити в тіньову економіку, про що свідчить стрімке скорочення кількості існуючих малих підприємств серед зареєстрованих; по-третє, низькі показники та викривлення під час процесу приватизації; по-четверте, відсутність належного правового забезпечення розвитку малого бізнесу та бізнесу в цілому;*

*по-п'яте, обмеженість консультаційних послуг, недостатня відповідна та якісна професійна підготовка підприємців. Обґрунтовано та доведено, що ситуація в Україні та її вплив на розвиток підприємництва показали, що країна має значні обсяги фінансових ресурсів, які не беруть участь у розвитку національної економіки, у тому числі й підприємництва. Основною причиною цього є відсутність адекватних механізмів захисту інтересів інвесторів від держави. Розглянуто та проаналізовано проблему фінансування малого бізнесу. У підсумку узагальнено та зазначено, що вирішення проблем, пов'язаних зі створенням сприятливого клімату для розвитку малого підприємництва, потребує реалізації заходів щодо прийняття нових законів України та вдосконалення існуючої нормативно-правової бази з позицій захисту інтересів власників та споживачів; зменшення податкового тиску на офіційно діючі бізнес-структури.*

**Ключові слова:** малий бізнес, мале підприємництво, внутрішнє фінансування, зовнішнє фінансування, кредитна політика, інвестиційна складова.

**Introduction.** Proper development of small business requires a combination of tax, fiscal, pricing, foreign economic and social policies in order to create a favorable business climate. Despite the adoption of a number of important decisions, the development and implementation of the National Program for the Promotion of Small Business, the conditions for its formation and development have not improved significantly. Small business has not yet become a full-fledged sector of the country's economy. Under the influence of various factors (lack of proper legal support for small business development, lack of proper financial and credit support, limited financial and material resources) small business in the country is developing slowly; business development requires comprehensive State assistance both in legislative and financial aspects.

**Analysis of recent research and publications.** Among the scientific works, which cover the financial problems and substantiation of sources of financing of small business in Ukraine, the results of the research of the following scientists should be considered: Varnalii Z. St., Vorotina L., Kozhevina N. Dm., Kuznietsova I. S., Oneshko S. V., Skrypyk S. V., Olshanska M. V. According to these scientists, the amount of funding has a significant impact on the pace of creation and efficiency of such enterprises.

**The research task and objective.** The purpose of the article is to analyze the current state of financial security and prospects for strategic development of financing through non-traditional sources of investment. This topic is relevant today, because the transformational processes that accompany the formation of entrepreneurship within the up-to-date situation are still insufficiently researched and not fully covered in the economic literature. Now the country is in a situation where limited domestic financial resources and difficult access to external sources of financing is becoming a factor hindering the development of entrepreneurship, slowing down the deepening of market relations, the formation of a competitive environment.

**The statement of basic material.** In the conditions of financial and economic crisis in Ukraine the business environment has significantly deteriorated, the development of small business is slow, there is a tendency to reduce business activity. The analysis reveals the following reasons: first, the lack of specific measures of governmental support for small business, which should involve the active involvement of local executive bodies in this process; secondly, high tax rates, a significant number of inspections by regulatory authorities, forcing many entrepreneurs to move to the

shadow economy, as evidenced by the rapid reduction in the number of existing small businesses among the registered; third, low rates and distortions during the privatization process; fourth, the lack of adequate legal support for the development of small business and business in general; fifthly, limited consulting services, insufficient appropriate and high-quality professional training of entrepreneurs.

For the most part, small enterprises are later transformed into collectively owned enterprises, in particular through wider financial opportunities. Currently, the activities of small enterprises are mostly concentrated in the field of trade, construction, mediation, logistics. Most entrepreneurs assess the prospects of their business as favorable, but there is a problem of criminalization of the situation. Entrepreneurs have effective projects that do not require large investments and provide a quick return.

The problems of small business can be formulated as follows. First, it is impossible to create a market economy without small business. The official definition of this encourages the creation of State bodies of small business, a mechanism to support small businesses, bringing the registration of small businesses to a civilized – application form, establishing a system of training and retraining of all profiles for small business, state protection of small businesses from bureaucracy, effective antitrust policy.

Secondly, the macroeconomic situation in Ukraine has a negative impact on the development of small business. It is necessary to ensure the development of market infrastructure, the creation of regional incubator centers, replenishment of the small business sector with new small enterprises; creating a climate of the best tax assistance for small businesses, financial support systems, creating appropriate economic opportunities for the use of public credit lines, various credit funds from the state, highly liquid government tax liabilities.

Third, it is necessary to create an appropriate regulatory framework for small business development; adoption of the Law of Ukraine on Small Enterprises, state support of small enterprises [4].

Solving these problems will ensure the stable development of small business as a systemic sector of the economy, make it promising and attractive not only for their entrepreneurs but also for foreign investors

In the market conditions the question of financial support of business activity without which today normal functioning of any firm is impossible acquires special value. At the same time, normal functioning is possible only under the conditions of a meaningful and sound

business plan of the enterprise, which, in turn, is a significant help in finding and attracting investors and creditors. Most of the factors that currently hinder the development of entrepreneurship in Ukraine are related to the financial and credit policy of the state.

The financial and credit policy of the state in a crisis situation is aimed mainly at filling the state budget, obtaining the budget sphere of the disabled population, providing minimum conditions for human life. In this situation, the state is not able to allocate adequate funding to support business structures, shifting the solution to non-governmental institutions, including private business support funds, commercial banks, credit unions, foreign investment and other structures, without providing adequate guarantees. That investors will be able to return their capital in the event of bankruptcy of business structures, or changes in current legislation not in favor of investors. As a result, non-state investors are not interested in investing in the development of domestic entrepreneurship. Instead, most domestic entrepreneurs, having received income from production and economic activities in Ukraine, try to keep them in foreign banks, not trusting domestic ones. The high level of shadow economic activity in the field of entrepreneurship contributes to the development of uncivilized forms of management and relations between economic entities and negatively affects the development of officially functioning structures and society.

Studies of the situation in Ukraine and its impact on the development of entrepreneurship have shown that the country has significant amounts of financial resources that do not participate in the development of the national economy, including entrepreneurship. The main reason for this is the lack of adequate mechanisms to protect the interests of investors from the State. This reason can be considered the main one in the fact that Ukraine does not receive significant investments from foreign countries. Therefore, solving the problem requires the development of a new state policy aimed at creating a favorable investment climate in Ukraine. At the same time, it is necessary to create and implement mechanisms to strengthen state control over the activities of the shadow sector of the economy. It is necessary to create a situation in the country when doing business in the official economy becomes profitable, prestigious and safe [1].

One of the most important problems for small businesses is their financing. One of the main factors slowing down the process of creating and putting small businesses into operation is obtaining borrowed funds. Small businesses are seen by banking and financial institutions as a group of increased risk for financing, and high risk forgives high interest rates for the use of credit and the obligation to pledge collateral when obtaining loans. The problem is exacerbated by the inaccessibility of soft loans and financial and tax policies of the state, which do not allow small businesses to take the place in the market transformation of Ukraine, which they deserve.

Problems with financing small businesses arise immediately from the moment the company is established, then in cooperation with suppliers of raw materials. Difficulties in supply are caused by limited

due to the small size of the enterprise, the ability to find cheaper sources of supply, which can lead to complete dependence on them. A significant role in the formation of small business in Ukraine has to solve the problems of financial support of their activities [6]. Financial support for the enterprise can be aimed at achieving one of two main goals: self-sufficiency or self-financing.

Self-sufficiency is determined by reimbursement of current expenses of the enterprise at the expense of the received incomes. In solving the problems of self-sufficiency is of great importance to regulate the current costs of production and sales. Strict cost accounting and its direct relationship to pricing policy force entrepreneurs to adhere to austerity. Therefore, speaking of small businesses, it is often noted that these companies have the optimal number of employees at all levels, from direct executors of the production process to the warehouse manager, the minimum possible variable costs of production. This is due to the fact that the only possible way to reduce the price of products in small businesses is to reduce the cost of production by maximizing the load of equipment, saving labor, raw materials and fuel and energy resources.

If the purpose of the enterprise is the principle of self-financing, which in market conditions, can be provided again only through the financial capabilities of the enterprise and not through centrally planned resources, the financial strategy of the enterprise provides for the accumulation of financial resources for expanded reproduction. Self-financing can be provided only through a high rate of capital accumulation and profitability.

If self-sufficiency is carried out at the expense of own funds, the essential feature of self-financing is that although in the future there is a significant return on investment, as a rule, the company does not have its own free financial resources for its implementation. Therefore, the correct choice of source of funding can significantly affect the efficiency of the enterprise. In the case of an ill-considered decision, this can lead to unreasonably high costs and bankruptcy.

Effective growth of the enterprise can be provided by two main ways: internal and external. Internal growth is ensured through the expansion of existing production through the gradual development of its own material and technical base. In this case, phased funding is provided. And in this case, the decisive role is played by the total amount of profit and accumulated depreciation.

Financing of small enterprises due to low turnover cannot in most cases be done only from own funds. Although, as a traditional source, own funds at the stage of stable consolidated market positions will play a significant role. But given the current economic situation in the country, their use is hampered by additional restrictive factors that are objective in nature.

Thus, any movement of goods in the transition from one owner to other leads to a counter-flow of cash. These funds can be used by the company to solve the problems of current financing of its activities.

One of the main sources of financing for small businesses should be profit. According to its economic essence, profit takes part in the distribution process in 2 directions:

- stimulating factor of entrepreneurial activity and labor productivity;
- source of funding for expanded reproduction.

But in Ukraine now profit cannot be used as a source of financing and reproduction of production potential. The main reasons for this phenomenon are that high income taxes do not allow to quickly accumulate the necessary amount of money and the ongoing inflationary processes in Ukraine quickly depreciate even the funds accumulated by enterprises.

Thus, the main source of internal financing of enterprises could and should be depreciation. But depreciation, despite the efforts of the Government of Ukraine, has not acquired the status of an important factor in shaping the production potential of the enterprise. In the face of rapid inflation, depreciation on renovations as a source of even a simple reproduction of fixed assets does not work. As we can see, under the current economic conditions in Ukraine, the accumulation of own funds for the implementation of strategies to expand production by enterprises is not possible.

External growth involves the accession of new enterprises to existing ones, ie there is a one-time financing in the selected additional area of activity. One-time financing only makes sense when the investment in the object of financing will be profitable. In the case of external growth, the feasibility of investing should be economically justified and meticulously calculated. In this case, attention is paid to the ratio of capital to the amount of turnover, turnover per employee, the share of profits accumulated for the purposes of expanded reproduction. But the size of future return on invested capital is crucial for the expansion of production [7, p. 193].

External sources of small business financing are divided into two major groups: public borrowers' funds and commercial (private) funds. The leading role in financing small business enterprises belongs to commercial borrowers. The most traditional source of replenishment of financial resources of business structures is bank lending. To form, develop and expand their business, commercial banks offer private entrepreneurs and small business owners numerous credit programs, namely: investment lending, multiple loans for any need for one collateral, a loan for the purchase of fixed assets and intangible assets, a loan for the purchase of equipment and vehicles, a loan to replenish working capital and current needs, an express lending program, etc. [1; 5].

The main sources of formation of financial resources of small business in Ukraine are financing from banking institutions and international organizations. An alternative to such sources of financial resources should also be financial instruments of non-bank financial institutions, including leasing, factoring, crowdfunding.

**Conclusions.** Solving the problems associated with creating a favorable climate for small business development requires the implementation of measures to adopt new laws of Ukraine and improve the existing legal framework from the standpoint of protecting the interests of owners and consumers; reduction of tax pressure on officially functioning business structures. The implementation of these areas should contribute to the creation of a positive attitude in society to small business as a progressive form of management that can provide the population with new jobs, create conditions for increasing income and prosperity.

Given that the market of traditional financial intermediaries is not available for small businesses, there is a problem of non-traditional approaches to regulating the investment process, i.e., the use of such forms of financial regulation of economic processes that were not previously used in Ukraine.

In particular, issues of improving financial and credit policy should be developed. The general level of taxation, the number of types and the basis for tax assessment should become stable and stimulate business and investment activities.

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