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Role and Place of Small Business in the Economy of Ukraine

Small businesses create a healthy competitive environment, which in turn stimulates the solution of such problems as global economic crisis. For Ukraine, which aspires to join the European community, the issue of market reforms now requires extremely fast solution. Small business also has a direct impact on the formation of economic situation, because it is able to regulate the change in the gross domestic product, employment and unemployment rate, quantitative changes in supply and demand of goods and services on a national market. These changes, in turn, reduce social tension and promote the formation of the middle class. Besides, it provides small businesses with competitive level of flexibility and mobility required for markets today.

Unfavorable micro and macroeconomic situation creates numerous obstacles that slow down the effective operation of business. Each company being a part of the whole system reflects a general economic situation in the country as any changes in the main macro components effect on the business operation. So, a current crisis in Ukraine is marked by significant deterioration of small businesses. It can be explained by the lack of financial basis for starting capital, difficult credit conditions, imperfect system of taxation, low foreign and domestic investments, high levels of corruption and extended shadow economy.

Small businesses survive due to the high intensity of labor including imperfect management system, prolonged working hours, usage of old-fashioned equipment and ignorance of safety measures. Internal common causes of bankruptcies of small businesses are primarily caused by incompetence, lack of managerial experience and required knowledge of all production processes and marketing.

It should be noted that the problem of small business could be resolved at the state level as improving legal framework results in eradicating precedents contradicted each other and developing new programs aimed at supporting this business will gain a new level of profitability. Since the role of small business in economic life is one of the main attractions, and its share in GDP is negligible, the measures designed to support its priorities should be included into regional and state policy. Small business is a strong potential that will help Ukraine's economy reach a new level. There is no need of great investments to expand the production of consumer goods and services due to the use of local labor and resources. Economic instability is certain to increase the risks in the economy, but at the same time incentives to improve and modernize business activities are created. Therefore, the issue of small business development is one of the main goals of state policy makers to be under consideration.