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Problems of small business in Ukraine

Small business is an inalienable part of Ukrainian industry but now it is going through a really tough time as it reacts on market changes much faster than big enterprises. Small and medium business takes 58% of GPD and employs 68% of the working population in the developed countries. But in Ukraine small business accounts for only 5% of GPD and this situation negatively affects the Ukrainian economy.

In order to understand what changes should be made to improve the situation, it is necessary to identify the main problems of small businesses in Ukraine. There are some key barriers to small business development:

- permanent changes in the Tax Code;
- underdevelopment of small business supporting mechanisms;
- high cost of rent and utilities;
- low purchasing power of the population;
- lack of / or limited access to financial resources;
- high interest rates for credits.

Most of these issues require urgent changes in the law of the country as the current legislative system stunts industrial growth and increases the discontent of the population.

First of all, laws and regulations supporting and protecting small businesses should be adopted. There must be accessible credit resources and utility subsidies. Also, it would be useful to develop governmental programs and create favorable business environment to attract foreign investors.

To ensure business operation in a suitable environment, stable tax policy is required. Entrepreneurs cannot react to everyday changes in laws so they need a strict list of rules and requirements, otherwise they will not be able to pay taxes properly and it will have a negative impact on the governmental resources. Laws should be favorable not only for big business and governmental projects but for small business as well.

Then, banking reform must be implemented in order to make credits cheaper and money more accessible for business. Inaccessibility of financial resources constantly slows down the development of small business. A system of cashless payment should be developed to make purchases easier both for customers and employees. It will also simplify accounting for entrepreneurs.

These changes will promote formation and growth of many small companies and raise their profit. An increased number of small companies will contribute to higher GPD and more working places in the country that will result in higher level of life and more attractive environment for foreign investors.