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FEATURES OF SOCIALLY DETERMINED GOVERNMENT POLICY IN THE REGULATION SPHERE OF SMALL AND MEDIUM BUSINESS DEVELOPMENT IN UKRAINE

Abstract. Formation of regulatory state policy concerning a new socially oriented type of state policy mainly involves the introduction of such methods and state regulation tools of economic relations that would allow achieving the greatest balance and optimal combination of business freedom based on fair market regulators, the interests of the whole society and the creation of conditions for the state and its citizen welfare, ensuring sustainable development.

Legal bases and requirements for the development of socially oriented state policy in the regulation sphere of economic relations are defined by the Agreement on Association between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and its Member States, on the other hand (hereinafter referred to as the "Agreement on Association with the EU"). So, according to Art. 85 Agreement on Association with the EU in Ukraine provides for the mutual liberalization of the conditions for business establishment, trade in services, cooperation in the field of electronic commerce, Art. 343 provides for the formulation and implementation of market economic policies [Association Agreement with the EU 2014].

Keywords: state regulatory policy, socially oriented policy, economic relations, state regulation, small and medium entrepreneurship, small and medium business financing instruments
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Introduction. In order to develop small and medium-sized business, which forms the basis of the middle class society and contributes to the socio-economic and innovative development of the country, the state must effectively regulate the activities of small and medium-sized enterprises. Nowadays, the last one should be, first of all, deregulation and overcoming of the pressing problems in the customs, tax, currency, corruption, implementation of effective financing instruments, protection of the rights of owners, development of the institutional environment. All these facts will contribute to the formation of a socially oriented type of economy, the adoption of an appropriate state regulatory policy type. In accordance with the Law of Ukraine “On the Principles of State Regulatory Policy in the Field of Economic Activity” [2016], “state regulatory policy in the field of economic activity is a direction of state policy that envisages improving the legal regulation of economic relations, administrative relations between regulatory
authorities or other public authorities, and economic entities, preventing the adoption of economically inappropriate and ineffective regulatory acts, reducing state interference in the entity’s activities and removing obstacles to the development of economic activities, carried out within the limits of the procedure, and, in the manner, established by the Constitution and laws of Ukraine”. Therefore, the legal analysis of the regulatory framework, which envisages the development of small and medium enterprises in Ukraine and the freedom to conduct entrepreneurship, is advisable.

**Literature review and the problem statement.** Appiah K.M. [Appiah, Possumah, Ahmat, Sanusi 2018] I. Bila and N. Salatyuk [Bila & Salatyuk 2014], E. Gavrilov [Gavrilov 2009], O. Goncharenko [Goncharenko 2016], S. Grinevskaya [Grinevskaya 2012], M. Kidalov [Kidalov, Snider 2011], Y. Kostyuchenko [Kostyuchenko 2016], V. Kochin [Kochin 2015], N. Kravchuk, L. Tarasovich and M. Yaremov [Kravchuk, Tarasovich & Yaremov 2017], M.R. Llave [Llave 2017], V. Mochalnikov, M. Anokhin and N. Potemkin [Mochalnikov, Anokhin & Potemkin 2012], Y. Pasichnyk [Pasichnyk 2009], L. Polischuk [Polischuk 2010], G. Smolin [Smolin 2012], G. Tretiak [Tretiak 2011], L. Shvaika [Shvaika 2006], Z. Serrasqueiro [Serrasqueiro, Leitão, Smallbone 2018], C. Tsai [Tsai, Peng 2017] and others have devoted their works to the socially oriented state policy. The legal principles of the entrepreneurship regulation, the essence of economic policy, legal regulation principles of economic relations and the state regulatory policy in various social spheres in the context of countries, the features of a socially oriented economy, the deregulation essence of economic relations for the entrepreneurship development, the evolution of socially oriented policies in Ukraine are studied in their works. However, nowadays there is no systematization of the main criteria, indicators and peculiarities of the socially oriented state policy of Ukraine in the sphere of regulating the small and medium entrepreneurship development, which will allow to highlight the key characteristics of such a policy at the present stage in Ukraine.

Thus, the purpose of this article is to highlight the features of a socially oriented state regulatory policy in the field of small and medium-sized enterprises in Ukraine in the priority directions, respectively, the subject is the direction of such a policy. In order to achieve the goal, the general-theoretical and special-legal methods of research were used in the article, in particular, the dialectical method of scientific knowledge made it possible to trace the current tendencies of the state regulatory policy development in the field of small and medium enterprises, the comparative legal method allowed to conduct a comparative analysis of the state regulatory Policy in Ukraine, the analytical method is used in the formulation of generalized and detailed conclusions on the results of the study. According to the results of the research, the author concludes that the state regulation of economic relations in the sphere of small and medium entrepreneurship development in Ukraine is carried out at the regional, state and international levels by:

- development of infrastructure and institutional environment;
- changes and improvements in the regulatory policy of conducting business activity, in particular by introducing a moratorium on the verification of the activities of business entities;
- ensuring the increase of the level of entrepreneurship freedom by improving taxes and fees administration;
- the introduction of online tools that promote the development of e-government and facilitate business conduct, in particular enterprise registration;
- implementation of international and state programs, initiatives for financing small and medium-sized enterprises, implementation of financing instruments.

**Research results.** Overview of indicators of socially oriented state policy development. The development of small and medium-sized business in Ukraine is of great importance, since entrepreneurial activity enables economic entities to constantly increase their incomes and, consequently, the quality of life. At the same time, stimulating the government to develop small and medium-sized enterprises through the formation of an effective institutional and legal environment demonstrates the social orientation of the country, contributing to the formation of the middle class and an increase in the welfare of the population. Thus, according to the rating of ease of doing business, Ukraine ranks 71st out of 190 countries [Doing business 2019] (for comparison, Kazakhstan - 28, Moldova - 47), which indicates a low level of regulatory efficiency in the country’s economy. At the same time, it should be noted that today the opening of the business and the registration of enterprises is facilitated by the introduction of the Online Justice House [2018], which enables the development of e-government through the acceleration of the procedures for registration of sole proprietors and legal entities. In addition, nowadays there are many online tools for the needs of small and medium-sized businesses in Ukraine: Opendatabot - a service for monitoring the registration data of Ukrainian companies and the judicial register to protect against raider attacks and to control counterparties; YouControl - on-line dossier to any company in Ukraine; Taxer - online accounting for small businesses; SMS Lighthouse - a service for monitoring of registration actions concerning real estate objects of individuals and legal entities; Business calculator - a tool for choosing the optimal model of organizational forms of business, calculating taxes and comparing tax payments; Tax debt - a service by which you can find out the amount of tax debt of economic entities of different forms of ownership; Public Procurement - provides access to information on procurement announcements; ProZorro - electronic public procurement system; Electronic taxpayer cabinet - allows to get information from the registers, contains a tax calendar, tax reporting forms, an example of a declaration about property status.

According to the Economic Freedom Index of Frieser Institute, Ukraine occupied 51.9% in 2018 (compared with Poland 68.5%, on average in Europe - 75.2%) [Index of Economic Freedom 2018]. At the same time, the highest index value was in 2005 - 55.8%. It is worth noting that the value is significantly dependent on the macroeconomic situation, because the economic downturn or recession immediately trigger a reduction of index. The main unfavorable factors of low index value are imperfect institution of property rights, insufficient level of judicial efficiency systems, inefficiency of public expenditures, non-transparency of government activity and corruption, significant level of tax burden, freedom of entrepreneurship and the labor market, as well as freedom of trade are on low level, low level of investment attractiveness and unformed financial sector. Thus, the Index shows that Ukraine belongs to countries with mostly non-free economy.

According to the Rule of Law Index of the International Organization World Justice Project in 2018, Ukraine ranked 77th out of 113 countries with a score of 0,5, in particular, the lack of corruption level - 95/113, the openness of the authorities - 46/113, the protection of fundamental human rights - 49/113, security and order - 53/113, respect for the rights - 96/113, civil justice - 65/113, criminal justice - 83/113 places [Rule of Law Index 2018]. The Social Progress Index of the international organization Social Progress Imperative indicates a low level of life quality for the population, as Ukraine occupied 64th place in 2018 from
128 countries (score 69.30) [Social Progress Index 2018]. At the same time, the components of the Index were unfavorable factors, such as access to higher education, the level of personal safety, poor quality of medical services, the state of the environment, insufficient level of e-government development and access to it, the average life expectancy is rather low.

The Small and Medium Enterprises Policy Index [Small and Medium Enterprises Policy Index: EaP countries 2016] defines the criteria, by which the development of state policy on small and medium-sized businesses in the Eastern Partnership countries can be defined. The results of assessments in 2016 indicate the insignificant progress in the development of small and medium businesses in Ukraine compared to 2012. In addition, the OECD Report states that Ukraine implements the institutional framework for the development of small and medium-sized enterprises, introduces small and medium-sized enterprises financing instruments and broadens access to finance, and provides training of entrepreneurship skills. That is, actually, the beginning to introduce the tools of small and medium entrepreneurship development in Ukraine.

Analysis of the structure and dynamics of Ukrainian business entities by the main types of economic activity allows to assert that their number will reduce from 2010 to 2017, in particular the number of individuals-entrepreneurs, due to bankruptcy of enterprises in 2014-2015, devaluation of the national currency, which resulted in a significant reduction in incomes, negative consequences associated with corruption in licensing, taxation, inspections, customs procedures, etc. At the same time, subjects, engaged in wholesale and retail trade, repair of motor vehicles, are dominated in the structure (46.4% in 2017). In terms of activities with the largest potential in Ukraine (rural, forestry and fisheries, industry), the share of employed subjects was only 4.2% and 6.9% respectively [Structural Statistics Indicators by Business Entities 2018]. Such features of the Ukrainian economy point to the low level of Ukraine’s competitiveness, insufficient legal incentives for small and medium-sized businesses, which are the basis for the formation of the middle class and the improvement of the life quality of the population and the welfare of the country as a whole, and therefore the development of Ukrainian state policy as socially oriented. The latter is possible only through continuous improvement of the regulatory framework, which will be aimed primarily at the development of e-governance, the simplification of business procedures, the development of the institutional environment and the elimination of corruption.

One of the problems is the receipt of credit resources for the development of activities, which is, first of all, a macroeconomic problem, and the licensing of certain types of activity (construction), access to electricity. Although, a number of regulatory acts have been adopted at the state level to provide financing for small and medium-sized enterprises, the level of financial resources of Ukrainian enterprises is insignificant. Other significant problems of small and medium enterprises development in Ukraine are high tax rates, the complexity of administering tax payments and fees, the variability of economic legislation, high levels of regulatory pressure and corruption. The priorities of the state regulatory policy of small and medium enterprises in Ukraine should be: reducing the number of documents required for business, simplifying tax administration, and providing access to legislative information in the field of business activity through the development and implementation of electronic information resources. The development of a legislative framework for the socially oriented state policy in the field of small and medium enterprises development.

The Ministry of Economic Development and Trade of Ukraine developed the forecast of social and economic development of Ukraine for 2019-2021 and approved by the Resolu-
tion of the Cabinet of Ministers of Ukraine dated July 11, 2018 № 546 "On Approval of the Forecast of Economic and Social Development of Ukraine for 2019-2021" [On Approval of the Forecast of Economic and Social Development of Ukraine for 2019-2021 2018] according to the main strategies for improving the life quality and competitiveness of Ukraine, which are the priorities of poverty level reduction, development of small and medium business in Ukraine through gradual reforms. At the same time, strategies for overcoming business and developing small and medium enterprises have been developed. Identifying the main priority areas within these strategies indicates the initial steps towards the formation of a socially oriented policy in Ukraine, aimed at ensuring an increase in the life quality of the population. In accordance with the Medium-Term Government Priority Action Plan up to 2020 and the Government Priority Action Plan [Medium-Term Government Priority Action Plan up to 2020 and Priority Action Plans of the Government 2018], one of the priority objectives is to improve the life quality of citizens and achieve sustainable economic growth, the introduction of effective e-government instruments, human capital development, the fight against corruption.

Thus, the main legislative changes in 2016-2017 years were: 1. Implementation of electronic declaration in September-October 2016; 2. Introduction of ProZorro Electronic Procurement; 3. Constant increase of the living wage level of citizens and the minimum wage level. Creation of the National Anti-Corruption Bureau, the Anti-Corruption Prosecutor's Office and the National Agency for the Prevention of Corruption [On Prevention of Corruption 2014], created in accordance with Law № 1700 and responsible for combating corruption, ensure the formation and implementation of a state policy on combating corruption, oversee for compliance with the law. In addition, according to the Law of Ukraine On the State Bureau of Investigations" [2018], the latter participates in the development and implementation of state anti-corruption policy in the field of combating crime. At the same time, nowadays, weaknesses in the activities of the above mentioned authorities are the imperfection of their structure, duplication of functions, the lack of well-established communication with the society, and, consequently, lack of trust in their activities, lack of financial and human resources for their development, lack of coordinated interaction and autonomy in their activities. These are weaknesses that need to be eliminated by regulating their activities by foreseeing the full autonomy and, first of all, independence of activity.

The decision of the National Agency for the Prevention of Corruption of April 27, 2018 № 811 "On Approval of the Communication Strategy of the National Agency for the Prevention of Corruption for 2018-2020" [2018] provided identification of the main opportunities for the development of the National Agency for the Prevention of Corruption and the main tasks for the implementation of communication campaigns, approval of a media plan for information campaigns of the National Agency for the Prevention of Corruption. It is obvious, that full transparency and independence of the National Agency for the Prevention of Corruption is an extremely difficult task, but in the case of effective action and proper public awareness of key achievements in the area of combating corruption and the correspondence of the reality of communications, it will increase confidence in the National Agency for the Prevention of Corruption, and therefore the level of trust in the authorities. By the Order of the Cabinet of Ministers of Ukraine dated May 24, 2017 № 504-p "On Approval of the Strategy for the Development of Small and Medium-Sized Entrepreneurship in Ukraine for the Period up to 2020" [2017] with the aim of creating favorable conditions for doing business, it was determined that the main direction of government is improving the regu-
ulatory environment or deregulating small and medium business. The latter faces pressing problems in practice: in the field of administrative services, agriculture, construction, transport, tax, customs, currency regulation. Owing to these facts, deregulation should provide a solution to a number of problems. In 2016, the Cabinet of Ministers of Ukraine approved the Plan of Measures for the Deregulation of Economic Activities [Order of the Cabinet of Ministers of Ukraine dated August 23, 2016, N° 615], the implementation of which will provide an opportunity to solve urgent problems in the areas of providing administrative services, state supervision, information technologies, agrarian, food, construction and transport spheres.

The Resolution of the Verkhovna Rada of Ukraine of April 13, 2016 “On Recommendations of the Parliamentary Hearings on the topic: “Development of Entrepreneurship in Ukraine and Support to Small and Medium-Sized Businesses” stipulates that the main areas of small and medium-sized business development should be deregulation (a moratorium on inspections by state authorities, implementation of state initiatives on the liberalization of supervision, protection of owners’ rights, development of economic competition, transparency of the antimonopoly committee activity, legalization of self-employed persons, overcoming poverty, development tools for small and medium enterprises, liberalization of tax and customs, monetary system, etc.).

In 2016, Ukraine officially joined the COSME European Program for Support of Small and Medium-Sized Enterprises [COSME Program 2016], which provides financial support for the development of Ukrainian small and medium-sized enterprises. The budget for the program is €2.3 billion, envisaged up to 2020, and involves financing grants for small and medium-sized enterprises. The program envisages facilitating access to international markets, receiving expert advice and analytics, supporting export and import activities, expanding trade relations, exchanging experiences, seminars and training, internships, and access to small and medium-sized businesses for innovative development. Nowadays, financing instruments are not available yet, however, the program provides the implementation and funding of 60 small and medium-sized enterprises, based on contractual relations with the EU. Today, in addition to the COSME program, the following programs are available to support entrepreneurship in Ukraine:

- European Union initiative “EU4Business”, which aims to overcome the problems of limited access to finance, burdensome legislation and difficulties in entering new markets, a low level of entrepreneurial culture (supported jointly with the European Bank for Reconstruction and Development, the European Investment Bank);
- Program for the managerial staff in the sphere of entrepreneurship in Ukraine (Fit for partnership with Germany), which provides the improvement of professional skills in business management, acquisition of new competences in foreign economic activity, establishment of business contacts with foreign partners, promotion of products and services of Ukrainian small and medium entrepreneurship on international markets;
- Unlimited Ukraine by EBA (Small Business Development and Support Program), which envisages the entrepreneurial culture development and professional skills development of entrepreneurs;
- programs for supporting small and medium entrepreneurship at the international level through the use of international credit lines, i.e., financing of entrepreneurship on the basis of credit programs;
- programs of state financing of small and medium enterprises on the basis of financial and consulting products of state banks, for example, partnership programs with city, district, regional administrations, which allocate funds from the local budget to compensate interest (part of the loan) for representatives of small, medium and microenterprises.

At the state level, the development of small and medium-sized enterprises is stimulated through budget subsidies to agricultural producers [On Approval of the Procedure for the Distribution of Budget Grants for the Development of Agricultural Producers and Stimulation of Agricultural Production in 2017, 2017], compensation for the cost of purchased agricultural machinery [Approval of the Procedure for using the funds, provided in the state budget for partial compensation of the agricultural machinery cost and domestic production equipment 2017], support for the farm development [On Approval of the Procedure for Using the Funds Provided in the State Budget to Provide Financial Support to the Development of Farm Holdings 2018], regional development programs, based on the Programs of the Ministry of Agrarian Policy and Food of Ukraine.

A separate direction of the regulatory state policy for the development of small and medium enterprises is the formation of an institutional environment. Thus, according to the Ministry of Economic Development and Trade of Ukraine, as of January 1, 2018, the infrastructure of support of small and medium enterprises by regions consists of 52,846 units of various institutions, in particular business centers, business incubators, industrial parks, leasing centers, foundations support of entrepreneurship, investment funds, innovation funds and companies, information and consulting institutions, public associations of entrepreneurs, coordination councils [Institutions providing support of entrepreneurship 2018]. At the beginning of the establishment of small and medium-sized entrepreneurship support institutions for the creation of infrastructure for solving problems, promoting and lobbying for their own interests of small and medium-sized entrepreneurship was met by entrepreneurs. Today, the authorities of regional and central levels are the initiators of an institutional environment creation and formation and are responsible for regulating their activities. Priorities of the state policy of small and medium business development. The main priorities of the small and medium entrepreneurship development are defined and enshrined in the Law of Ukraine “On Development and State Support of Small and Medium Enterprise in Ukraine” [2016] and provide the following main goals: 1) creation of favorable conditions for the development of small and medium enterprises; 2) formation of a competitive environment, increase of competitiveness; 3) measures to stimulate innovation and investment activity of small and medium enterprises; 4) promotion of goods and services, made by subjects of small and medium enterprises, to international markets; 5) support entrepreneurial initiatives in order to increase employment and create jobs.

In order to achieve these goals, the state regulatory policy should ensure:

1. Improvement and simplification of tax administration;
2. Promoting the involvement of small and medium enterprises in the implementation of scientific, technical, socio-economic programs;
3. Increase of the state financial support level and access to small and medium-sized enterprise financing tools through information campaigns, implementation of state financing programs, guarantees and loans, and compensation of the cost of loans;
4. Ensure the stable development of support infrastructure and institutional environment, in particular at the regional level;
5. Granting and guaranteeing rights to small and medium enterprises in the course of state supervision;
6. Further simplification of procedures for obtaining permits and licenses for conducting certain types of business, procedures for the implementation of state supervision, and reducing the timing of carrying out control procedures;
7. Introduction of mechanisms for stimulating the use of leading and innovative technologies by small and medium-sized enterprises, in particular domestic production.

Deregulation of the business environment should become a priority of state policy in Ukraine. Excessive regulatory restrictions and ineffective business control procedures for small and medium-sized businesses, excess licensing, certification and monitoring do not contribute to the development of leading industries in Ukraine. Their abolition will reduce the level of administrative pressure, will ensure the effectiveness of counteracting corruption, allowing them to concentrate on small and medium-sized enterprises in their core business.

Conclusions. The conducted research makes it possible to conclude, that state regulation of economic relations in the sphere of small and medium business development in Ukraine is carried out at the regional, state and international levels through:
- development of infrastructure and institutional environment;
- changes and improvements in the regulatory policy of conducting business activity, in particular by introducing a moratorium on inspection activities of business entities;
- ensuring the increase of entrepreneurship freedom level by improving the administration of taxes and fees;
- the introduction of online tools that promote the development of e-governance and facilitate business;
- realization of international and state programs, initiatives of financing of small and medium entrepreneurship activity.

Normative legal acts of the state and regional levels contribute to the formation of a socially oriented policy that will allow to adjust and bring the national economy to a state of efficiency, ensure a fair distribution of resources, eliminate poverty and create favorable conditions for doing business by small and medium enterprises, and, consequently, permanent and sustainable socio-economic development in the state. Thus, socially oriented state policy is characterized by an effective regulatory environment, which involves continuous improvement of the regulatory framework for the regulation of business entities and the development of the institutional environment. This enables economic entities, in particular small and medium-sized business, to expand their activities and increase their incomes, and thus contribute to raising the welfare of the population and the middle class formation. Deregulation of small and medium enterprises in Ukraine is a characteristic feature of Ukrainian socially oriented policy.

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Pro zatverdzhennya Poryadku rozpodilu byudzhetnoyi dotatsiyi dlya rozvytku sil’s’khohospodars’kykh tovarovyyrobnychiv ta stymulyuvannya vyrobynnytstva


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