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TOOLS OF SMALL BUSINESS DEVELOPMENT IN THE MOUNTAINOUS REGIONS OF THE CARPATHIAN REGION OF UKRAINE

Annotation. Research background: Mountain areas, considering the objective reasons for the limited transport accessibility and types of economic activities, insufficiently developed areas of employment and the social welfare system, remoteness from areas of intensive economic growth, business activity accumulation centers, capital and investment, intellectual staff and information flows, used to have low level of investment attractiveness, financial and economic development and quality of the social sphere. As a result, of these and other circumstances, the level of external labor migration significantly increases. This is the condition to use the economic methods of influence, among which one of the most effective is the method of stimulating of small business development.

Purpose of the article: The aim of the article is to develop means to stimulate the development of small business as an effective economic method of external labor migration control in the mountainous areas of the Carpathian region of Ukraine.

Methods: In the process of research, general scientific and special methods were used: synthesis and system analysis; statistical, economic and comparative analysis, strategic management, analytical and forecast calculations.

Findings & Value added: The article analyzes the potential and state of the socio-economic development of mountain areas of the Carpathian region of Ukraine; the characteristics of the negative aspects of the development of small business in the

state mountainous regions are given and the reasons for their occurrence. Investigated and graphically depicted the structure of the types of economic activity of mountain areas and identified the most promising areas of development and improving the efficiency of the small business. Given are the target landmark of the small business development policy, methods and measures that should be implemented in terms of improving the legal regulation of state support for the development of small business in mountain regions.

Keywords: *small business, external labor migration, mountain regions, socio-economic development*

1. Introduction

Mountainous areas occupy an important part of the territory of Ukraine, a large population lives here and a substantial natural resource potential is concentrated. The negative trends have emerged to further differentiation, decline of production and social infrastructure, aggravation of environmental imbalances, the deterioration of the qualitative satisfaction of the socio-economic needs of the population of mountainous areas. The increased depression of mountainous areas and spatial socio-economic differentiation appear as a systemic problem and an obstacle to the balanced development of the national economy, reduces its competitiveness due to insufficient use of economic potential, contributes to external labour migration, creates challenges for the state's economic and national security.

However, the state policy in this area is not effective enough as the conditions of functioning of the small business sector in the mountainous regions of Ukraine is much lower by the scale of employment, production and sales of products (goods, services). This brings up to date the necessity to develop and implement effective tools of supporting and stimulating the development of small business as an effective economic method of curbing external labour migration.

2. Literature review

The issue of stimulating the development of small business is relevant in scientific literature and economic practice. The resource potential of the mountainous regions of Ukraine is studied in the works of such scientists as T. Tkachenko (2008), Ye. Krykavky (2016), V. Tsyganets (2005) and it is found that it is not sufficiently fulfilled, and the state of socio-economic development of these regions is much lower than other areas of the country.

Such scientists have assessed the development of small business in the mountainous regions of the state and identified the negative aspects of their functioning, as S. Tsubar (2004), who focuses in his works on a small number of small business entities and low business activity, V. Boyko (2017), L. Vorotina (1996) and Yu. Yarova (2018), who note that there is a limited number of practices in the formation of integrated trade and production systems and cooperation relations with the participation of small businesses in the mountainous areas, N. Dobrova (2010), who has identified the lack of proper road connection, sufficient number of market, financial, social and information infrastructure facilities in these regions.

The study of the causes of the negative aspects of small business development in the mountainous regions of the state is found in the works of N. Yurina (2004), who points at deterioration in human capital and insufficiency among the population and, as a

result, the external labour migration. Such a cause as an unfavourable business environment is described by V. Kampo (2005). The low level of efficiency and effectiveness of regional and local strategies and programs to support the development of small business figure in the works of A. Butenko, I. Saraeva, N. Nosov (2017). S. Varnaly, I. Kuznetsova elaborate on such a reason as the failure to form a favourable economic and legal environment of commercial economic activity (2016).

An analysis of the main papers of these scientists has led to the conclusion that scientists have made a significant contribution to the study of stimulating the development of small business, identifying the negative aspects of its functioning, among which one of the key is external labour migration in the mountainous areas of the Carpathian region of Ukraine, thus it is expedient to develop tools of stimulating the development of small business as an economic method of restraining such migration.

The aim of the study is to develop tools to stimulate the development of small business as an effective economic method of curbing external labour migration in the mountainous areas of the Carpathian region of Ukraine.

3. Research methodology

Such general scientific and special methods were used in the process of research as follows: synthesis and system analysis – to justify the real conditions of the resource potential of the mountainous regions of Ukraine; statistical and economic analysis and comparative method were used to study the trends of development and define features of the mountainous areas of the Carpathian region of Ukraine; grouping, logical analysis, strategic management – during the justification of measures, that are advisable to implement to support and create a favourable environment for the development of small business to eliminate the imbalances in the socio-economic development of the mountainous regions of Ukraine; system analysis – to characterize the main negative aspects of the current development of small business in the mountainous areas of the country and identify the main causes of these negative aspects; analytical and forecast calculations – to justify measures that have to be implemented in terms of improving financial and resource support for the operation and development of small business, and measures to improve the business environment of small business entities in mountainous areas.

4. Results

The mountainous areas of the Carpathian region of Ukraine are characterized by a high natural resource potential, an important geopolitical location, and have the prospect of becoming a factor in the socio-economic development of the areas of the state in which they are located. For example, the Carpathian region is located in the centre of Europe; important transport routes pass through it, which makes it conceivably promising in the context of the location of international business and tourism centres; about 1,300,000 people live here; there are more than 800 sources and wells of medicinal mineral waters (most of which are classified as unique), the capacity of which allows annually improve the health of about 7 million visitors; picturesque landscapes and terrain, significant reserves of balneological resources, combined with favourable climatic conditions of the Carpathian mountains are favourable for the development of various types of tourism and sports, sanatorium-resort business. One-time recreational capacity of the region amount to 2,200,000 people and annual – more than 8 million visitors, 12 million holiday makers and weekend tourists.

The resource potential of the mountainous regions of Ukraine is far from being realized, and the condition of socio-economic development of these territories is significantly inferior to both the average regional and the level of other areas, that worsens the quality of life, leads to increasing imbalances in the system of economic complexes and the deterioration of investment attractiveness of mountainous areas, increasing differentiation of the key socio-economic indicators, increases the depressiveness and subsidies of these territories, leads to the deterioration of their ecological state. It thus leads to the loss of potential for the restoration of development and hinders the balanced development of the regions of the Carpathian region.

The objective reasons for such situation are lower supply of the mountainous regions of the state with financial and investment resources through territorial remoteness from regional centres, patterns of the economy structure due to terrain and natural and climatic features, lack of personnel (especially blue collar workers) due to proximity to the border and high labour migration, under-utilization of the potential of territories' development, including through the implementation of business projects by small businesses.

A significant untapped resource for the development of the mountainous regions of Ukraine is the strengthening of business activity of the population, increasing the scale and effectiveness of the activities of small and medium enterprises (especially small businesses) as a source of creating new jobs, increasing the level of employment of residents and increasing their well-being, improving the investment attractiveness of territories, increasing revenues to local budgets, the development of community initiatives, the formation of the middle class and the development of the socio-economic infrastructure stages (*Fig. 1*).

Thus, the problem of developing and implementing effective tools of supporting and stimulating the development of small business is being actualized, as an effective economic method of curbing external labour migration, in order to eliminate the imbalances in the socio-economic development of the mountainous regions of Ukraine.

Today, the development of small business in the mountainous regions of the state is characterized by the following negative aspects:

1. Decrease in the number of small business sector entities.
2. Low business activity and a small number of small businesses per 10 thousand people, limited entrepreneurial initiatives among rural residents.
3. Decrease in the number of employees in the small business sector.
4. Small volumes and low efficiency of financial and economic activities of small business, their limited intellectual and personnel, material and technical and resource potential.
5. A limited number of practices in the formation of integrated trade and production systems and cooperation relations with the participation of small businesses.

The resource limitations of small business entities operating in mountainous areas and the complexity of accessing material support are one of the main obstacles to increasing volumes of the production. Therefore, the formation and expansion of cooperative relations is an important direction of further development and satisfaction of business interests for small business entities. The advantages of these relations are the formation of a common base of material, informational and analytical support, consolidation of resources and efforts for production and products sales, reduction of production transaction costs, improving the availability of financing, investment attractiveness.

The priority type of economic activity for the development of cooperation in mountainous areas is agriculture. The actualization of the role of the cooperative movement is enhanced in the conditions of the necessity to transform individual personal peasant farms (hereinafter - PPF) into commodity forms of management. Thus, there is a significant potential for the development of local integrated systems in the agro-industrial sector with the participation of small business entities and the beginning of the practice of PPF transforming into small enterprises. For rural areas of mountainous areas, the development of cooperation will ensure the intensification of entrepreneurial initiatives, the improvement of production infrastructure, the organization of new markets.

6. The low level of development and efficiency of the functioning of the institutional support subjects, the lack of adequate road and transport communication and a sufficient number of market, financial, social and information infrastructure objects.

7. Problems of formation, development and reproduction of human capital.

The main causes of these problems (ranked from most significant to least important) are:

- firstly, the lack (insufficiency) of financial, investment and resource support, in particular the high cost of bank lending, the absence of financially consistent investors, the insufficient financial condition and limited own finances of small enterprises, the difficulty of attracting the technologies and their high cost;

- secondly, the deterioration of human capital, lack of skills necessary to start and carry out entrepreneurial activities due to poor living conditions, caused by the inadequate conditions of public service facilities and social infrastructure, low prestige of work in rural areas, limited incomes of the rural population, deterioration of cultural facilities and the unsatisfactory state of rural medicine infrastructure, high unemployment, environmental degradation and the state of the environment protection;

- thirdly, unfavourable business environment in the mountainous region (limited demand and underdevelopment of the domestic market, lack of resources, investments, neglected infrastructure, inadequate social and living conditions, financial infrastructure) and lack of effective economic incentives for the formation and development of investment activities of small business subjects, attraction of funds of the population and external labour migrants for investment purposes;

- fourthly, the imperfect legal regulation of entrepreneurial activity, in particular, the preferences for certain business entities or selective administrative discrimination, the existence of direct prohibitions or restrictions for business, excessive regulation of certain permissive and other procedures;

- fifthly, the low level of efficiency and effectiveness of regional and local strategies and programs to support small business development, their focus on the implementation of a small number of servicing events rather than investment ones, mostly in the regional centre. The low level of programs effectiveness to support small and medium-sized business is caused by their mostly declarative nature, the lack of specific measures to create new enterprises or increase the volume of existing activities, create new economic activities, as well as neglecting the development specifics of an individual territory;

- sixthly, the lack of effective institutions and mechanisms for financial and credit, investment and information support for the establishment and development of cooperative relations between small business entities;

- seventhly, the lack of a favourable economic and legal environment of commercial economic activity. The weak effectiveness of the policies of regional and local government bodies and local governments in the development of small business is largely caused by the low level of involvement of its representatives in solving the problems of territorial development. The level of attraction of funds from international technical assistance programs for the development of small business is insufficient. For now local state administrations and local governments do not provide systemic incentives for activities in this direction and therefore the implementation of separate projects and activities in the framework of entrepreneurship support programs for extremely small funds cannot qualitatively improve the situation regarding the development of small businesses.

Tourism (49.8% in the structure of respondents' responses), hotel and restaurant business (24.8%), agriculture and forestry (8.2%), trade (7.5%), services (6.0%) are characterized as those with the highest potential of the development in the structure of economic activities in the mountainous regions of Ukraine.

The most promising areas of development and improving the functioning of small business in the mountainous regions of the state are considered (*Fig. 2*): opening new business facilities, opening own businesses, including at the expense of migrant workers, creating clusters (other local integrated structures), starting and expanding the practice of cooperation, the creation of new business entities, an increase in the number of people employed in the small business sector.

Among the measures that have to be implemented in terms of improving financial and resource support for the operation and development of small business in mountainous regions, the key ones are: the creation of investment "sites" in the districts and other infrastructure elements to attract investments (78.6%); the creation of public-private funds of financial and credit support for investment projects of small business entities in the districts (66.7%); implementation of the practices of budget and grant support for counselling programs for small business of the district (54.6%); provision of budget support for the acquisition (import) of advanced (modern) technologies (45.5%).

Promising economic methods for improving the business environment for the functioning of small business in mountainous areas to curb external labour migration include: improving opportunities for recourse and protecting the legitimate rights of small business entities (91.2%); active promotion of the investment potential of mountainous regions (80.7%); development of social and production infrastructure (66.7%); providing incentives for growth of investment and innovation activity in the small business sector of the districts (59.4%).

So, the following measures should be implemented in order to support and create a favourable environment for the development of small business as an economic method of promoting external labour migration in the mountainous regions of Ukraine:

- in the direction of improving the financial and resource support of small business:

- to intensify activities on attracting and implementing on the territory of the regions of the EU grant programs as a source of small business development financing (the existing and potentially attractive of which are programs: Horizon2020 (financing of research projects for SMEs development), Competiveness of Small and Medium Enterprises (program for raising the level of SMEs competitiveness, access to new markets, preserving the sustainability of companies in a competitive environment, developing an entrepreneurial culture), LIFE (programs in the field of environmental

protection), Pericles 2020 (projects on products for professionals), Poland-Belarus-Ukraine Programme, Hungary-Slovakia-Romania-Ukraine Programme, Romania-Ukraine Programme, Black Sea Programme (cross-border programs aimed at developing cooperation between adjacent borders of member countries);

- to initiate support for financial and leasing development programs for small business entities in mountainous areas to modernize the material, technical and technological base with the possibility of partial compensation for the cost of purchased equipment at the expense of the regional and local budgets; development of agro-food markets, the creation of stations for the procurement, purchase and processing of agricultural products;

- to organize seminars with small business entities to circulate information about the conditions and opportunities for participation in regional programs to improve the availability of bank lending for the implementation of investment projects of small business entities;

- in the direction of improving the business environment for small business development:

- to initiate the inclusion of a special section (group of events) in regional strategies and support programs for SME development to stimulate the development of small business entities in mountainous areas of the region with specific investment measures (creation of new enterprises, establishment of new directions or types of activities, implementation of investment and innovation projects, support of cluster projects initiatives) with the active involvement of business representatives, holding public hearings and coverage in regional and local media;

- introduce elements of strategic planning and programming of small business development at the district level by switching to the project-grant form of financing activities and significantly increasing the share of "productive" costs aimed at creating a network of institutions and programs of financial and credit fostering;

- to stimulate the development of attractive types of economic activity for the territory, taking into account the strengths and weaknesses of the natural resource potential, the production and resource potential of small business enterprises, to work out "passports" of the area's priority economic activities, taking into account the specifics of the rural territory and make potential investors aware of them;

- to form the basis of typical business plans for the creation of cooperatives in various areas of economic activities, agro-food markets, stations of procurement, purchase and processing of agricultural products; conduct periodic business coaches counselling schools on the organization and conduct of cooperative activities; to carry out activities for the promotion and advertising of the cooperative movement among the rural population in order to facilitate the entry of personal peasant farms into vertical production and sales economic systems;

- to create an online platforms for investment projects of small business entities of the region; create off-the-shelf (with prepared land plots and the possibility of supplying engineering communications) investment proposals for investors; assist small business in the preparation and submitting investment proposals; prepare socially and economically significant projects of public-private partnership for their co-investment at the expense of migrant workers;

- in the direction of improving the regulatory framework for the development of small business:

- to ensure the formation of economic incentives and institutional bases for

creating local integrated production systems, conducting horizontal and vertical cooperation of small business entities by forming the basis of typical business plans for creation cooperatives in various types of economic activities; holding periodic business coaches counselling schools on the organization and conduct of cooperative activities; organizing and conducting periodic trainings for heads of small business enterprises (regarding registration, management, accounting, taxation, etc.); popularization and advertising of the cooperative movement among the rural population in order to facilitate the entry of personal peasant farms into vertical production and sales economic systems, to stimulate the formation of agricultural horizontal and vertically integrated clusters;

- to implement a set of organizational and economic measures aimed at improving the investment climate through the development of regulatory legal acts on cooperation and responsibility of the investor and local state administrations, local governments and rural communities; introduction of the practice of periodic compilation of the investment rating of territories; the formation of psychological incentives and organizational-economic mechanisms for attracting the funds of labour migrants to entrepreneurial activities;

- to organize and conduct a series of consultations with the representatives of the business environment and the public on the development of an Action Plan to stimulate the development of priority economic activities (tourism, recreation, hotel and restaurant business, power industry, alternative agriculture and forestry, animal husbandry, woodworking, food industry, stockpiling, etc.), the formation of competitive clusters;

- to organize a system of consultations for the representatives of small business and the public on the opening and development of promising economic activities, taking into account the strengths and weaknesses of the natural resource potential, the production and resource potential of small business entities; to work out "passports" of priority economic activities for the region, taking into account the specifics of the rural territory, and popularize them among potential investors.

5. Discussion

Unlike other scholars, the necessity of implementing the policy of small business development in directions: activation of the practice of organizing integration and cooperative processes both between small business entities and other sectors of the economy, development of the institutional support for the small business sector, development of the socio-economic infrastructure of the territories, formation and support of leadership initiatives of the population, organizational and professional skills in running and developing business.

6. Conclusions

Realization of the state policy in the directions: activation of the practice of organizing integration and cooperative processes both between small business entities and other sectors of the economy, development of the institutional support for the small business sector, development of the socio-economic infrastructure of the territories, formation and support of leadership initiatives of the population, organizational and professional skills in running and developing business allows to ensure the activation of the development of small business in less economically developed territories and becomes one of the leading factors in the containment of external labor migration of the

population.

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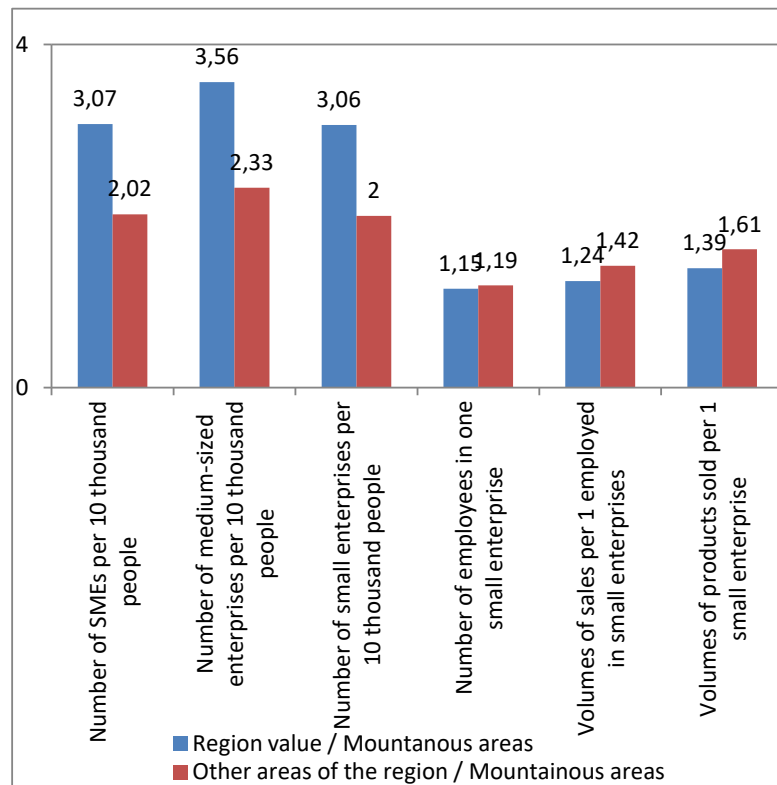
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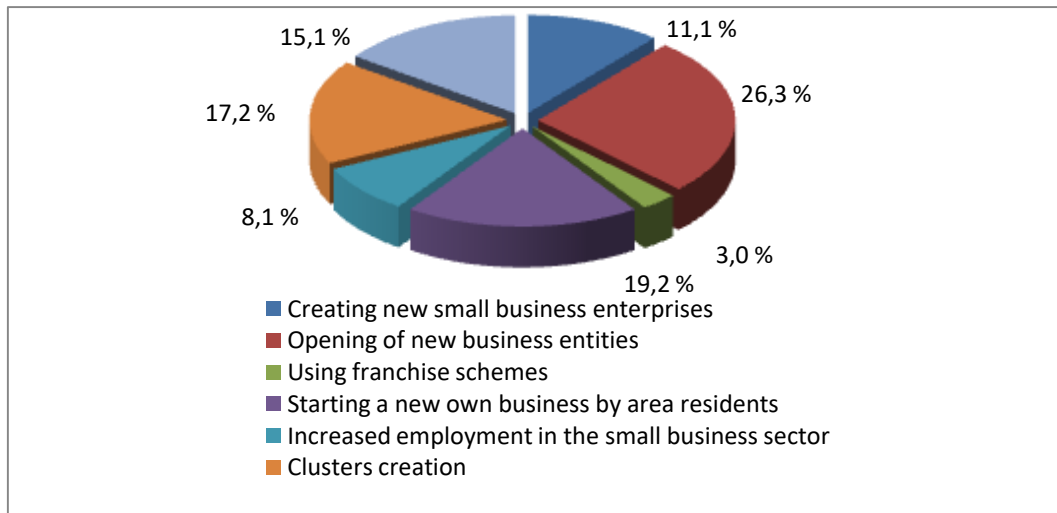
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Figure 1. The coefficients of differentiation of indicators of SMEs development in mountainous areas and other territories of Zakarpattya, Ivano-Frankivsk, Lviv and Chernivtsi regions, as of July 1, 2017*



*Source: Internet-resurs golovного upravlinnya staty`sty`ky` v Ivano-Frankivs`kij oblasti, available at: <http://www.ifstat.gov.ua>; Internet-resurs golovного upravlinnya staty`sty`ky` u Zakarpats`kij oblasti, available at: <http://www.uz.ukrstat.gov.ua>; Internet-resurs golovного upravlinnya staty`sty`ky` u L`vivs`kij oblasti, available at: <http://www.lv.ukrstat.gov.ua>; Internet-resurs golovного upravlinnya staty`sty`ky` v Chernivecz`kij oblasti, available at: <http://www.cv.ukrstat.gov.ua>.

Figure 2. The structure of promising areas of development and improving the efficiency of small business in the mountainous regions of Ukraine, 2017 *



*Source: author's development