

Features of forming of business environment in Ukraine

Iryna Yasinovska¹, Ivanna Myshchysyn²

Introduction

An enterprise is the basic organizational and productive force of the economic system of any country. Effective activity of enterprises of all forms of management is a basis of providing of forming and increase of GDP, development of science and stimulation of scientific and technological progress, defensive capacity of the state, simple and extended playback, overcoming of unemployment and decision of other social problems.

Being basis of national economy, an enterprise is exposed to considerable influence of political, cultural, social and other factors of community development. Considerable dependence of enterprises in Ukraine upon external terms is demonstrated by modern realities of economic life. Actuality of revision of state approaches to adjusting of entrepreneurial activity is predefined largely by political and social destabilization of society, cutback of economic activity, strengthening of internal and external competition, loss of part of markets of the Ukrainian enterprises. For most enterprises of country a question of survival is extremely actual under the conditions of difficult transformations of the economic system that requires the increase of efficiency of management on qualitatively new basis. The course of country towards eurointegration needs the combination of experience of the European countries in regulation to adjusting of entrepreneurial activity with measures that promote development of business in the conditions of general economic and political instability.

For years the Ukrainian scientists paid considerable attention to the question of becoming and development of enterprise in a country. Relying on considerable scientific experience in research of questions of enterprise, row of the Ukrainian researchers, IO. O. Leonova [Leonova 2015: 23], A.Y. Novak [Novak 2011: 173–174], Lesko O.J, Trailer I.B. [Lesko, Trailer 2016: 47], Sych O.A., Kalichak I.I. [Sych, Kalichak 2017: 333], formed the modern scientific approaches to the meaning of enterprise in development of national economy.

The problems of determination of enterprise environment works of the Ukrainian scientists were analyzed also by Lesko O.J, Trailer I.B. [Lesko, Trailer 2016: 47], Mohylnyi O.M. [Mohylnyi 2015: 7], Morytsan O.M, Morytsan V.F, Stefanishin B.M.

¹ PhD, associate professor, Iryna Yasinovska Faculty of Financial Management and Business Ivan Franko National University of Lviv.

² Ivanna Myshchysyn, Junior Researcher of the Department of Regional Ecological Policy and Environmental Management Institute of Regional Research named after M.I.Dolishniy of the NAS of Ukraine.

[Morytsan 2014: 63] and others. Not diminishing the value of scientific developments of scientists and analysing their approaches to the enterprise environment, it is necessary to make a conclusion that this topic needs a further studies, first of all in the context of developing the measures of forming an effective enterprise and investment environment.

A research aims are establishment of features of forming of enterprise environment in Ukraine and search of effective mechanisms of forming of favorable macroeconomic environment for development of business.

An estimation of enterprise environment based on rating of Ukraine in international indexes

A constitution sets equality of rights in functioning and legal defense of all patterns of ownership. In accordance with the article of 42 Constitutions of Ukraine everybody has a right for an entrepreneurial activity that is not forbidden by a law. Entrepreneurial activity of deputies and officials is limited by the law. The state provides defense of competition in entrepreneurial activity. Not allowed are monopolistic abuse of ones position at the market, illegal limitation of competition and unfair competition. The state protects rights for consumers, carries out control upon quality and safety of products and all types of services and works, assists activity of public organizations of consumers. The constitution of Ukraine lays the duty of providing of constitutional rights for citizens on public authorities and organs of local self-government, including the rights for entrepreneurial activity.

In the process of reorganization of Ukrainian society the first stage was the process of liberalizations of economic and public life, that was accompanied by the changes of the management system, functions and structure of executive bodies, as well as principles of state administration bodies. The process of transition from the principles of administrative system towards free-market began in the 1990s, and it was quite difficult.

Shift from direct state administration had to take place by creation of such system of state administration, that had to provide the transparent process of advancement of public interests and mutual balancing. Thus the new system of government bodies had to be concentrated on implementation of 2 very important functions:

1. establishment and control after implementation of transparent and just rules of behavior for the participants of market that had to strengthen self-regulation of the market system;
2. limitation of direct interference with the market system by clear and understandable criteria, providing of predictability and efficiency of such interference.

Under influence of certain objective and subjective factors, going away from direct state administration of economic activity subjects did not give the expected results, but led to creation of such system of acceptance of state decisions, that was largely characterized by opacity of process of making decision at state level, by absence of public dialogue between citizens, enterprises and government bodies, by insufficiency of reliable economic analysis of results of realization of state decisions.

A legal base that regulates activity of subjects of management tests permanent changes and is being characterized by contradiction of normative acts. This situation gives an opportunity to the subjects of management in a certain measure to avoid implementation of separate requirements legislations.

The characteristics of the economy of Ukraine in general and business environment in particular can be well represented by the place of Ukraine in the international ratings (table 1).

Table 1. A place of Ukraine is in the international rating

| Coefficient | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | – 2011 | – 2012 | – 2013 | – 2014 | – 2015 | – 2016 | – 2017 |
| Index of global competitiveness | 89 | 82 | 73 | 84 | 76 | 79 | 85 |
| Global innovation index | 61 | 63 | 71 | 63 | 64 | 56 | 50 |
| Ease of Doing Business Index | 149 | 152 | 137 | 112 | 96 | 83 | 80 |
| Corruption Perceptions Index | 152 | 144 | 144 | 142 | 130 | 131 | 130 |
| Index of economic freedom | 164 | 163 | 161 | 155 | 162 | 162 | 166 |
| Index of human development | 76 | 82 | 83 | 83 | 81 | 84 | 88 |

Source: [https://www.transparency.org/news/feature/corruption_perceptions_index_2017#table; <http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB17-Report.pdf>; <http://hdr.undp.org/en/data>; <https://iea.org.uk/wp-content/uploads/2017/02/Europe.pdf>; http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf; http://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2017.pdf].

In 2017 Ukraine took the 85 place by value the index of global competitiveness. The value of this index shows the changes of economy of country. Yes, there was a gradual improvement of position of Ukraine in a post-crisis period and achievement 73 positions in 2013 and considerable worsening in 2014 after annexation of Crimea and beginning of military operations in the East of country. Among factors, that restrain the improvement of position of Ukraine, we can distinguish a corruption, inefficiency of department judicial, inefficiency of the government spending, not sufficient development of financial and corporate sectors, improper level of protection of rights to property.

The generalized index that gives an opportunity to estimate the level of innovations in a country is a global innovative index, according to which Ukraine took a 50th position of rating in 2017. In a dynamics to Ukraine it was succeeded to improve the position, however the negatively appraised changes in development of general infrastructure and institutional providing of innovative activity, problem with providing of supremacy of right. The results of scientific research and development of human capital are positive.

Efficiency of mechanisms of adjusting of entrepreneurial activity can be characterised by value of index of lightness of doing business. In a period 2013–2017 Ukraine attained considerable progress towards improvement of state regulation in the field of an enterprise, namely simplification of procedure of establishment of business, certain improvement of the system of taxation, registration of ownership etc. In 2017 by this index Ukraine took the 80th place, improving the place in rating, in comparison from 2012, for 72 positions. Question of liquidation of business, connecting to power grid the receipts of permissions on building is still not satisfactory.

In 2017 Ukraine occupies a 130th place in the world rating by value the index of perception of corruption. It should be noticed that countries are ranked by the index of level of corruption, that is based on estimations of businessmen and analysts in relation to perception of corruption in a public sector. Attitude of society becomes more critical toward corruptioners, state institutes are created to counteract the corruption. The decision of the problem of inevitability of punishment of corruptioners is negatively estimated.

Stably the low level of providing of basic economic freedoms in Ukraine certifies the place of Ukraine in rating by the index of economic freedom. Ukraine occupies in 2017 166th place among 186 countries that specifies on negative tendencies in providing of supremacy of right, efficiency of the government spending and freedom of investments.

The value of index of human development specifies on absence of considerable positive changes in development of economy of country. The level of literacy and scope of population studies is positively appraised. However, the expected lifetime is low, wish the improvement of value of indexes of standard of living, in particular GDP on one person.

Thus, summarizing positions of Ukraine in the world rating, it should be noticed that well-educated citizens that are the majority of the population have to fight for a survival in a country. Ukraine is a country with the high level of death rate, considerable level of corruption that makes business sufficiently difficult to develop. At the same time, it should be said that through deregulation Ukraine considerably improved positions in direction of opening the business.

Unfortunately, after some exceptions, Ukraine was not able to improve considerably the positions in the economic rating. It coincides with the conclusions of many analysts, that economic reforms in Ukraine, unfortunately, take place too slowly. In the same time it should be mentioned that Ukraine has a considerable potential for development through maturity, force of society and good education.

Problems of forming of transparent enterprise environment

Restoration of investments is a sign of real growth of the economy. In 2016 in the economy of Ukraine foreign investors were in the amount the 4405,8 millions of dollars USA of direct investments (equity) against 3763,7 millions of dollars in 2015. In 2016 the inflow of direct investments was carried out by investors 77 countries of the world. The basic countries-investors are Russian Federation – 1667,0 millions of dollars, Cyprus – 427,7 millions of dollars, Great Britain – 403,9 millions of dollars, Netherlands – 255,0 millions of dollars and Austria – 249,9 millions of dollars. From

the countries of EU into the economy of Ukraine there were invested 1972,0 millions of dollars, or almost 45 per cent of general volume of investments. The most substantial part of inflow of direct investments were directed to companies and organizations that carry out financial and insurance activity – 2825,3 millions of dollars, trade enterprises – 524,9 millions of dollars and to industry – 475,2 millions of dollars [Source: The State committee of statistics of Ukraine 2017].

The scales of outflow of capital from Ukraine during the recent year became a threat for national safety level. Principal reason is remained by an unfavorable enterprise and investment climate, the state, political, macroeconomic and exchange rate instability, imperfect monetary and investment policy. Therefore we have to distinguish the priority directions of activity of the state: providing of effective defence of right for proprietors and investors; stability of the legislation and its implementation according to European requirements; overcoming of critical level of shading of economy; an acceleration of development of financial markets of the country in accordance with world standards; real fight against corruption, especially in the field of external economic relations etc [Mohylnyi 2015: 7].

In order to stimulate investments and send positive signals to the economy there are needed, in particular, the reduction of cost of loan capital (rates on credits), creation of just competition field in the country and regaining of trust of investors.

Contemporary economy is characterized by the large stake of insolvent enterprises and bankrupts. More and more companies bankrupted, and the system of warning and making healthy of enterprises not effectively operates in practice [Sych, Kalichak 2017: 333]. In addition the special problem question of economy of Ukraine is a military conflict in the East of Ukraine.

2014–2015 for the heavy industry sector, as well as for an economy on the whole, became the period of ordeals. The facilities of metallurgical, chemical, machine-building industry that provided considerable part of internal industrial production and export, located in east regions, had considerable losses, many productive and infrastructure objects was destroyed. The unsolved is remained by the problem of deep property for a profit stratification of Ukrainian society that predetermines political instability in the end. The basic load of reforms lay down on the shoulder of not rich, but considerable part of society, sharpening a problem unemployment.

The internal economic unprotectedness of both legal and physical entities became the source of “shading” of economy of Ukraine. An unofficial economy exists in entire country. From data of many researchers the volumes of shadow economy of Ukraine arrive at the half of GDP. A size of shadow economy is the traditional index of efficiency of public economic policy. If tax politics is not effective and transparent, business forces tend to be “hidden in shade”. Such situation is observed in Ukraine presently. Thus, it is necessary attentively to investigate an unofficial economy and search mechanisms for reduction to her size [Leonova 2015: 23].

As Chernyavskiy S.S. concludes, the problem of functioning of shadow economy in Ukraine remains actual and multidimensional. A shadow sector substantially influences on all spheres of economic activity, social processes, determines economic criminality. A shadow economy is the difficult socio-economic phenomenon that severely influences the general economic system [Chernavskiy 2015: 16].

According to Linetskyi and doctor Frederic Shnayder, that is one of most authoritative in the world of experts on a shadow economy, more 46 percentages economy of Ukraine in 2007 was in “shade” [Schneider 2012: 64]. According to data of Ministry of development of economy in 2015, the level of shadow economy in Ukraine scored to 40 per cent of official GDP [Ministry of economic development and trade of Ukraine].

According to the opinion of A.Ja Novak, here is what distinguishes three main reasons of non-payment of taxes in full:

1. Does not want to pay at any terms is the especially criminal problem of way of thinking of certain persons and deciding here is possible only application of criminal legislation.
2. Cannot pay through burdensomeness of the tax loading –paying all numeral taxes for their rates, economic activity for a businessman becomes unprofitable.
3. Does not want to pay from a mistrust to power in budgetary distribution of collected taxes. The first reason can be removed only by the methods of criminal pursuit and punishment. The second reason follows from excessive tax pressure that is not maintained by the subjects of economic activity, and can decide only to softening of the tax loading through corresponding changes in the tax system of country. The third reason can be liquidated only by the achievement of openness and transparency of budgetary distribution and rationalization of his principles and correlations. It is necessary to mark that the removal of three primary causes of shadow activity must take place in parallel [Novak 2011: 173–174].

In opinion of other scientists, factors that assist to development of shadow economy, it costs to classify on: legal (imperfection of the tax system; contradictions and blanks are in a legislation; absence of anticorruption, examination of criminology and situation of projects of normative legal acts; absence of the government program of hard system fight against the organized crime, in particular in an economic sphere; the unprotectedness of open effective private business is from “law-enforcement terror”, encroachments of crime and corporate raid “oligarchs”), financial and economic (imperfection of the tax system; administrative (administrative barriers that prevent to development of legal business; incompetence of state administrative machine; absence is in the economy of dependence of remuneration of labour of officials from concrete their job performances), socio-political (uncertainty of businessmen is in stability of marketeconomic course; actual double taxation; degradation of culture; low level of the social blessing that turn out the hired workers in legal economic activity) [Morytsan 2014: 63].

The innovative-investment development of economy

Consider acceptable application of complex of measures that will assist the acceleration of leading out of economy from shade, in particular application of amnesty to the capital of non-criminal origin on an insignificant transitional period.

O.O. Leonova offers measures that will assist legalization of shadow economy of Ukraine, namely creation of favorable environment is for development of business; monitoring of offshore zones; perfection of the tax system; creation and introduction of the transparent system of tax deductions; optimization of administration of taxes; develop-

ment of mechanisms of bringing in to legal responsibility of payers; overcoming of illegal labour-market; perfection of social security and decline of the fiscal loading are on the fund of remuneration of labour (including realization of pension reform); adequate remuneration of labour; legalizations of remuneration of labour; an increase of awareness of the public providing of her influence is on the decision of power; state support of innovative and investment projects is in the real sector of economy; strengthening of the system of public authorities; application of severe measures of punishment is for a corruption and corporate raid; minimization of government control of different spheres of life; providing of transparency of the real sector of economy [Leonova 2015: 22].

The exit of Ukraine from a crisis needs alteration of industry according to principles of innovativeness that requires considerable resources and efforts. The principal role in this process belongs to state powers that must become the center of stimulation of development of industrial complex of country on principles of hi-tech development.

Imperfection of legislative and legal base, non-formed for institutional environment and for the increase of economy, became the considerable obstacles of innovative-investment development. Integration of Ukraine in hi-tech economic sectors predetermines a requirement in forming of environment for innovative development of domestic industrial enterprises.

Subzero efficiency of mechanisms of state support and stimulation of innovative-investment processes in industry of country considerably brake introduction in the productive process of new knowledge and technologies. A considerable problem in direction of activation of innovative-investment processes in a country is absence of the adjusted intercommunications between power, science but by business that complicates mastering of results of research works and their financing considerably. The inconsistency of public innovative policy and in sufficiency of financing considerably limit possibilities of managing subjects for their innovative-investment development. The effective mechanisms of combination and concordance of interests and efforts of participants of innovative-investment processes will provide steady development of the economy based on new knowledge [Lesko, Trailer 2016: 47].

Realization of politics of innovative-investment increase is the no alternative way sent to proceeding incompetent potential of enterprises and providing of welfare of the European level.

Conclusion

Directions of improvement of investment climate and enterprise environment in Ukraine should be:

1. an improvement of public regulator policy with the aim of assistance to development of enterprise by administrative deregulation further improvement of procedure of taxation, providing of the favorable bank crediting, insurance;
2. development of social partnership of the state and business, combination of economic interests of the state and business that envisages the general personal interest in collaboration, interdependence in realization of own and general interests, orientation of the general operating on satisfaction of necessities of society;

3. imposing restriction on an oligopolistic parts of ownership of separate company rights – in industries of economy;
4. simplification of permissive procedures and providing of their transparency, and also business responsibility and transparency of activity of business entities;
5. mutual responsibility of the state and performers of entrepreneurial activities, that envisages both responsibility of businessmen before society and responsibility of the state before businessmen, in particular in relation to guaranteeing of property and defense of investments;
6. reduction to pressure on the subjects of manage from the side of supervising authorities, counteraction to the raiding and corruption;
7. an increase of technological level of production, development of export potential;
- 8) introduction of European principles of state market supervision compliance with requirements to safety of products and services;
8. an improvement of infrastructure of development of enterprise, development of financial markets;
9. strengthening of innovative constituent of development, providing of state support of small and middle business entities that work in the field of innovative and scientific and technical activity;
10. political stability of society and national currency stability.

Thus, the necessary requirement of present time in Ukraine is forming of effective enterprise environment. As our research has shown, creating and forming of enterprises in Ukraine takes place under the influence of numerous negative internal and external factors. Thus, a search of effective mechanisms of forming of favorable macro- and microeconomic environment for the development of business in Ukraine is extremely actual and should become the field for future scientific researches.

Bibliography

- General tendencies of shadow economy are in Ukraine Kyiv: Ministry of economic development and trade of Ukraine. – 24c. – Access mode: <http://www.me.gov.ua/Documents/List?lang=uk-UA&id=e384c5a7-6533-4ab6-b56f-50e5243eb15a&tag=TendentsiiTinovoiEkonomiki>.
- Investments of foreign economic activity: express-producing is Kyiv: The State committee of statistics of Ukraine, 2017. – Access mode: <http://www.ukrstat.gov.ua/>.
- A constitution of Ukraine is from June, 28 of 1996 p. № 254к/96-BP // Official web-site of Verkhovna Rada of Ukraine. – Access mode: <http://zakon.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=254%EA%2F96-%E2%F0>.
- Lesko O.J, Trailer I.B., 2016, *Problems of innovative-investment development of industrial enterprises at modern terms*, Bulletin of the Vinnytsia Polytechnic Institute, No.1, pp. 44–48.
- Leonova O.O., 2015, *Unofficial economy of Ukraine: analysis of the state and directions of shadowing – Visnik of the National technical university of “XPI”*. Series: “Technical progress and efficiency of production”, no. 25, pp. 17–25.
- Mohylnyi O.M., 2015, *Agrarian economy of Ukraine: “resource curse” or locomotive of development, “Agro world”*, no. 5, pp. 3–10.
- Morytsan O.M, Morytsan V.F, Stefanishin B.M., 2014, *Shadow economy and her role in the economy of Ukraine*, Bulletin of the Prykarpattia university. Series: Economy, no. 10, pp. 61–66.
- Novak A.Ja., 2011, *How to heave up the Ukrainian economy: Monograph*. – K: “Hnozis”, p. 368.
- Regulator politics: New possibilities., K. Ljapina, D. Ljapina and Ja. Demchenkova, Kyiv: Institute of competition society, 170 p.

- Sych O.A., Kalichak I.I., 2017, *Duskriminant analysis and his application in prognostication of bankruptcy of enterprise* // The Young scientist – no. 2(42), pp. 333–339.
- Chernavskiy S.S., 2015, *Shadow economy as an inheritance of the totalitarian past*, Scientific bulletin of the National academy of internal affairs, no. 4(97), pp. 5–20.
- Corruption Perceptions Index 2017 // https://www.transparency.org/news/feature/corruption_perceptions_index_2017#table.
- Doing Business 2017 // <http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB17-Report.pdf>.
- Friedrich Schneider. The Shadow Economy and Work in the Shadow: What Do We (Not) Know? – Discussion Paper No. 6423. – 2012. – Germany. – 73 p.
- Human Development Report 2017 // <http://hdr.undp.org/en/data>.
- Index of Economic Freedom 2017 // <https://iea.org.uk/wp-content/uploads/2017/02/Europe.pdf>.
- The Global Competitiveness Report 2016–2017 // http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf.
- The Global Innovation Index 2017 // http://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2017.pdf.

Cechy kształtowania środowiska biznesowego na Ukrainie

Streszczenie

W artykule przedstawiono wyniki badań dotyczące kształtowania środowiska biznesowego na Ukrainie. Zidentyfikowano podstawowe problemy związane z funkcjonowaniem przedsiębiorstw (m.in. postrzeganie korupcji, wolność gospodarcza, konkurencyjność), co pozwoliło zaproponować różne sposoby i warunki poprawy klimatu inwestycyjnego i bardziej przyjaznego otoczenia zewnętrznego dla przedsiębiorstw działających na Ukrainie.

Słowa kluczowe: biznes, otoczenie, rozwój, Ukraina.

JEL: G32, L26, O11, O17