

# CHAPTER 1

## CURRENT TRENDS IN ECONOMIC DEVELOPMENT

### ORGANIZATIONAL AND ECONOMIC TOOLS TO INCREASE THE CONTRIBUTION OF SMALL BUSINESS TO THE SUSTAINABLE DEVELOPMENT OF THE REGION

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**Abstract.** In modern conditions, entrepreneurial activity is increasingly becoming the basis of prosperity and economic stability of industrialized countries. The contribution of small business in solving problems of sustainability and further development of the economy of Ukraine, job creation, meeting the needs of national and regional economies and the population in goods and services, is becoming increasingly important in modern conditions.

The article substantiates the organizational and economic tools to increase the contribution of small business to sustainable development of the region, taking into account the informal component of reducing excessive administrative pressure, which provides an opportunity to determine the optimal level of administrative requirements for economic entities.

The key determinants of effective socio-economic development of individual regions that need priority attention are identified: infrastructure, investment, innovation, institutions and initiative. The conceptual model of social and economic development of the region and the algorithm of formation of priorities of sustainable development of the region taking into account the specified factors are offered. The directions of increasing the socio-economic contribution of small business to the sustainable development of the region at the present stage are identified.

**Keywords:** small business, region, socio-economic development, entrepreneurship, sustainable development, state support.

**JEL classification:** M20

**Formulas:** 0; **fig.:** 2; **tabl.:** 1; **bibl.:** 7

**Introduction.** The modern system of economic relations no longer contributes to the natural (liberal-market) development of small business in the regions. Under these conditions, the role of the state in creating conditions conducive to the growth of the small business segment in the structure of the economy increases significantly. Of course, only a balanced state policy in the field of entrepreneurship can give a serious impetus to the development of small business, bring it to a fundamentally new level of functioning, which provides a multiple increase in socio-economic contribution of small business to sustainable development of regions.

**Literature review.** Theoretical and methodological foundations of entrepreneurship as an economic phenomenon are revealed in the fundamental works of M. Weber, R. Cantillon, J. M. Keynes, A. Marshall, J. S. Mill, D. Ricardo, A. Smith, J. Schumpeter and others.

The problems of small business development, and, in particular, some aspects of organizational and economic support and methodology for creating an infrastructure to support small business in the regions, are devoted to the research of Belous S.P. [1], Burkinsky B.V. [2], Butenka A.I. [3; 4], Butyrska I.V. [5], Varnalia Z.S. [6], Grishina N.V. [7], Lazareva E.V. [3; 4], Schaffman N.L. [3; 4] and others. However, paying tribute to the achieved results, there are a number of urgent tasks to increase the presence of small business in the region and increase its contribution to the sustainable development of the economy of the regions of Ukraine.

**Aims.** The purpose of the article is to theoretically substantiate the effective organizational and economic tools to increase the contribution of small business to sustainable development of the region and to develop practical recommendations for its implementation.

**Methods.** The author used the methods of static and logical comparison, systematization and generalization, which made it possible to achieve the goal of the study.

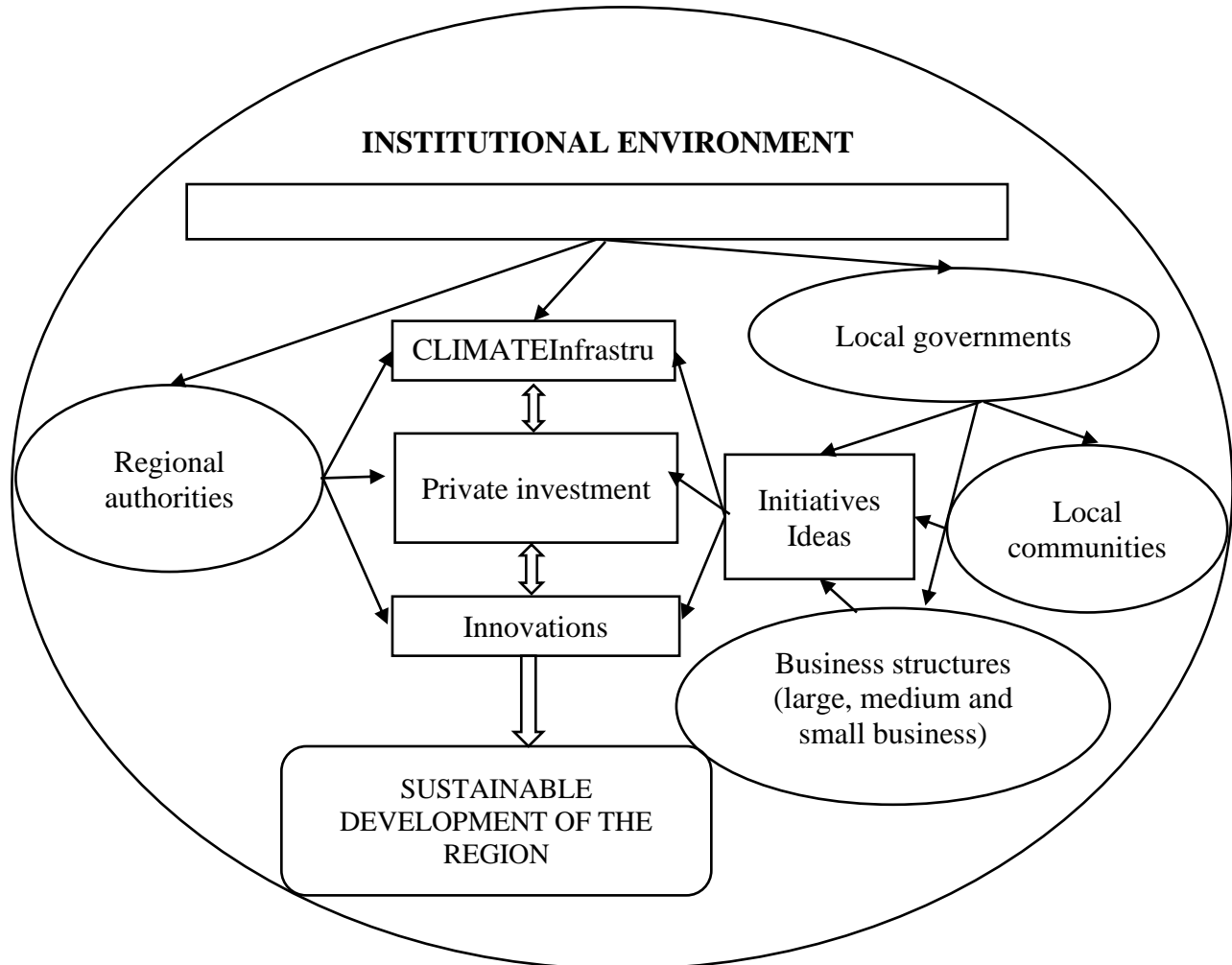
**Results.** Approaches used in the management of socio-economic development of small business in the regions at the present stage are characterized by the lack of an algorithm for identifying priority areas of targeted influence, allowing to start a chain reaction of territorial development and build a logical chain of transformations of management impulses. Currently, the economic policy of the regions for the development of their territories is characterized by the divergence of efforts on a number of different tasks and priorities. This is a consequence of the fact that in the formation of regional territorial development policy it is not always clear which areas of the economy to influence in the first place to give the territory a boost. However, most often, even if it is possible to ensure a certain dynamics of development of the territory, it must be maintained in the so-called "manual", ie coercive, non-market regime, which certainly affects the quality of socio-economic development, especially reasons.

In our opinion, the key determinants of sustainable development of individual regions that need priority are infrastructure, investment, innovation, institutions and initiative, ie the ability of various actors of local (regional) communities, regional authorities, local governments, business structures, generate, propose and implement vital ideas aimed at effectively solving the problems of socio-economic development of the territory. In the development and formation of the concept of economic policy, this factor should be given special attention, because currently it is the lack of initiative on the ground does not allow to fully disclose and realize the economic potential of the territory.

It is the development of these five areas at the present stage that should be the focus of attention of both regional government bodies and local governments. Operating in these directions, it is possible to determine the direction of priority influence, which will be able to start the chain reaction mechanism that provides controlled bifurcation for sustainable development of the territory.

Thus, in our opinion, the following logical chain is appropriate: new initiatives and non-standard ideas help to find methods, ways and means of ensuring quality

infrastructure development, which, in turn, attracts investment and stimulates innovative economic activity, strengthens the competitiveness of the territory. in turn, provides an influx of new investments, which are transformed into new ideas, innovations, new infrastructure, and the efficiency of these processes is supported by an adequate institutional framework (Fig. 1).



**Fig. 1. Conceptual model of sustainable socio-economic development of the region**

*Source: developed by authours*

This approach allows to transfer the management of the development of the territory from manual (forced) mode to the mode of natural sustainable self-development on the basis of market mechanisms. In the long run, only such a model will be able to ensure an appropriate level of sustainable development of various areas of economic activity on the ground.

Based on the basic assumption that small businesses form the basis of the economy of most administrative-territorial units, it is advisable to use the proposed approach to small business development.

Thus, the general logic of building work to promote small business development should be based primarily on the study and analysis of five key factors of its successful development in the regions: infrastructure, investment, innovation, initiatives and institutions (Table 1).

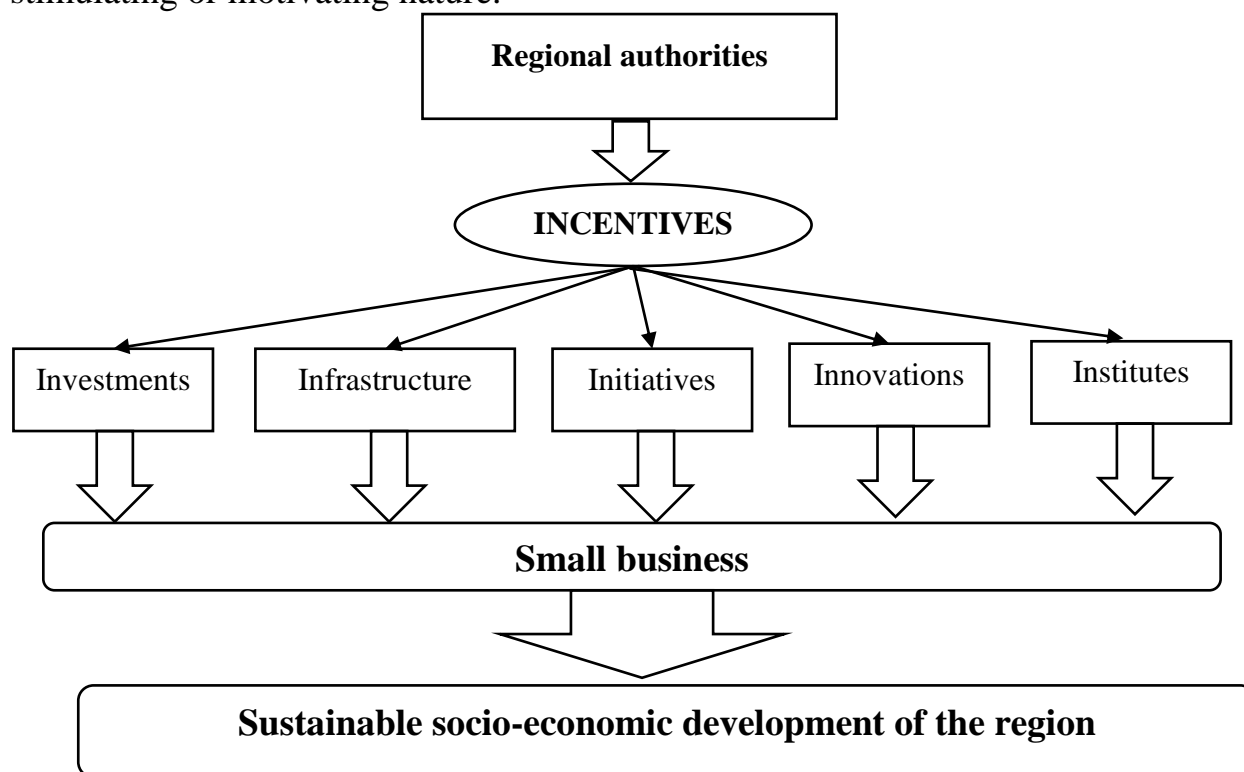
**Table 1. The main factors of successful small business development in the region**

Factor	Value
Infrastructure	The development of small business is impossible without the formation of quality infrastructure
Investments	Availability and availability of investments (budget, private in small business the main factor in the development of this sector of the economy
Innovations	Ensure the competitiveness of small businesses
Initiative	Having entities capable of generating and implementing business ideas increases the likelihood of business project success
Institutes	Provide interconnection of all factors within the uniform system capable to generate and provide conditions for realization of business initiatives

Source: developed by authours

It should be emphasized that in most cases, in practice, when organizing work to support small business, the quality of the real institutional environment of the territory with all its multifaceted set of formal and informal relationships, connections and practices is not taken into account. Ignoring this factor ultimately does not allow to get a real picture of the situation on the ground, which in the long run threatens to significantly reduce the effectiveness of business development measures.

Based on the results of the analysis, an algorithm of priorities of stimulating influence is built, which allows to start the market mechanism of sustainable socio-economic development of the territory (Fig. 2). Preference is given to measures of a stimulating or motivating nature.

**Fig. 2. Algorithm for forming priorities of sustainable development of the region**

Source: developed by authours

The declaration of the need to take measures, simple calls for it, administrative incentives to action have now lost or are losing their effectiveness, and therefore measures of an economic and motivational nature are needed. At the same time, I would like to pay special attention to the fact that the analysis must be adequate and correct and take into account the real market environment. For example, the forced development of industrial entrepreneurship, supported in the first stage by budget funding and administrative recommendations, may further turn into economic insolvency of business projects with corresponding negative prospects.

As can be seen from Figure 2, the focus should be on economic incentives for the development of specific areas, ie should be worked out effective channels of interaction of the triad of subjects of economic relations: society, government and business.

Analyzing the level of efficiency of interaction between business and government, it is necessary to proceed from the fact that the modern market space is characterized by a high degree of uncertainty. At the same time, these risks increase in a situation where the economic policy of the state is devoid of conceptuality. This situation produces a system of interaction in which both government and business use a strategy of "consumer attitude" to each other. This strategy is characterized by solving the problem of rapid, sometimes unreasonable receipt of resources from the business authorities and, accordingly, the government - from business. From the point of view of the state, such a strategy is characterized by the desire to take under the fiscal care of business entities as soon as possible and receive from them the maximum possible tax revenues to ensure social obligations, which are constantly growing. Business, for its part, also seeks to make full use of budgetary sources, primarily for the purpose of permanent financing, rather than ensuring effective development and increasing the social effect (the best example of such an approach is poor performance of public works). In this configuration of relations, the interests of society are taken into account only in order to legitimize the processes of redistribution of resources and preserve a positive image of the population. That is, we currently have a situation in which the relationship between business and government is not strategic (long-term), but operational and tactical nature, associated with solving problems in the short term.

**Conclusions.** Summing up, the main directions of increasing the socio-economic contribution of small business to the sustainable development of the region at the present stage are the following:

1. Improving the effectiveness of government programs to support and develop small business.
2. Streamlining and optimizing the regional system of administrative regulation of entrepreneurship, taking into account the expectations of small businesses.
3. Reducing the level of aggressiveness of the regional business environment, the current state of which almost completely blocks the desire of the individual to continue the business in case of the first unsuccessful experience.
4. Establishing constructive interaction of large companies with small businesses in the region.

Regional policy for small business development should be built in the context of reconciling the interests of government, business and society, which in turn should provide for the formation of a strong and sound system of motivation and responsibility of the main subjects of business relations. This is very important from the point of view of the decisive participation of regional governments in creating the conditions for increasing the socio-economic contribution of small business to the sustainable development of the region.

**Author contributions.** The authors contributed equally.

**Disclosure statement.** The authors do not have any conflict of interest.

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