

ECONOMIC SENSE AND FEATURES OF THE SMALL BUSINESS IN AGRARIAN PRODUCTION.

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ABSTRACT. Production in enterprises with high concentration of capital is one of the characteristics of the Ukrainian economy in the past. The transition to a market economy on the basis of private ownership in the country precipitate the emergence of a large number of business entities, which for all the criteria relate to the small form of businesses.

The publication examines the economic nature of business, small business and entrepreneurship. A major point is represented, which, according to many scientists, differentiates the concept of "small business" and "small enterprise".

In the scientific literature is often claimed that in the economy acts a law of advantages of large scale production. The main constraints of advantages of a large business under the small in the agriculture show that in this sphere this law is not absolute. The advantages and disadvantages of small forms of management are given.

We analyze the quantitative criteria for the division of enterprises to large, medium and small, which are represented in various legislative acts of Ukraine and not always coincide with each other. The classification of small structures in agriculture are given, the main criteria of which is an accordance of the size of an enterprise to legislative of the small forms of management.

KEY WORDS. Enterprise, business, small enterprise, small business, agribusiness, agricultural production, small form of management, quantitative criteria, state regulation.

INTRODUCTION. One of the personal touches of Ukraine of the near pas is a production of goods on powers with the high level of concentration of the fixed assets. Such approach submitted the determining vector of that time public economic policy, which examined the prospects of increase of physical volumes of commodity mass, growth of the labor, increase of efficiency of the use of financial, fuel and energy, labor and the other resources, exceptionally through the creation of production, scientific, agro industrial associations and agro firms. In the conditions of passing to the market economy on principles of private and collective property in a country appeared plenty of subjects of management which according to their criteria belong to the category of small enterprises.

MATERIAL AND METHODS. Essence and features of activity of small enterprises in an agrarian production studied Z.S.Varnaliy, Yu.E.Gubeni, P.M.Makarenko, M.Y.Malik, V.Ya.Mesel'-Veselyak, L.V.Romanova, P.T. Sabluk. At the same time a lot of aspects of development of small business remain debatable and claim for further researches, because there not enough complex researches of small business in agrarian production.

Creations of material welfares and their flow to the user are the results of economy in every society which is an aggregate of different types of activity. This activity is carried out on the basis of co-operation of productive forces and production relations. That is why business, in particular small, it also activity which historically arose up in the process of development of society. The purpose of work is research of bases of functioning of small business in an agrarian production.

RESULTS. An enterprise is the dynamic, active element of business, which is initiative, independent activity, carried out by citizens, by the associations of citizens producing goods, implementation of works and services, with the purpose of profit. An

enterprise plugs in a turn only a businessman, but not all of participants of trade. Business is wider concept, than enterprise, because it covers all the relations between all the participants of market economy, including not only businessmen but also users, hired workers, state structures.

That is why an enterprise as economic phenomenon is a business category. [10]

According to leading scientists of NNC „Institute of agrarian economy” of UAAN, an enterprise is a difficult and significant, multisystem and multilevel concept. It is a combination of economic, historical, social and legal relations and includes the category of enterprise, his function in socially - economic life, special method of economic activity, enterprise environment, personality of businessman, style and type of his thought and conduct, historical and socially psychological aspects.

In economic practice an „enterprise” and „business” are often equated. Accordingly concepts „small enterprise” and „small business” are also equated.

Small enterprise, according to Z.S.Varnaliya it is an independent, systematic, innovative activity of the small enterprises and citizens-businessmen at their own risk with the purpose of economic interest realization – profit (business income). [6]

Small business is an activity of any small enterprises and separate citizens (physical persons) for profit. Practically it might be any activity of the noted subjects of management, directed on realization of own economic interest. And it`s not always very risky and innovative activity based on principles of complete economic responsibility. Namely the increased risk and innovation, inherent to a small business, according to some scientists (in particular Varnaliya Z.S.), is a qualitative aspect to the separation of concepts „small enterprise” and „small business”. [4]

Before this differentiating it is possible to extend opinion of authors of textbook „Entrepreneurial activity and agro-business” and to draw a conclusion, that a small enterprise is the constituent of small business, as plugs in a turn only the subject - businessman, but not all of participants of market.

Small business in a village includes small forms of management. Small is a form of management, which has at least two of followings descriptions: independent management and private capital. In the economy of the developed countries small forms of management are the main source of labor. About the third of workplaces (31,8%), for example in the USA, are given by firms with an amount of workers less than 100 persons; in England – about 26, in Germany – 17, Denmark, Netherlands, – 40% and others like that. [10] Taking into account the number of medium-sized enterprises, this percent increase. (Table 1)

According to the world leading economists, the small forms of management play a huge role in those countries, where a cutback of economic activity is. Consequently, for the revival of domestic agriculture, a speed-up development of small forms of management is necessary.

In scientific literature often claim that the law of advantages of large production operates acts in an economy. However, in agriculture the display of this law does not acquire absolute character. It is related to complicate production and large dependence from the objective natural, economic, technical, historical and other factors of production. Advantages of large production in agriculture always have a certain limit, after which they subside, go out slowly, or even don`t act at all.

Table 1

Development of small and middle enterprises is in the different countries of the world

Country	Amount of MSP, thousand	An amount of MSP is on 1000 pl. population	Busy in MSP, million pl.	Particle in the general amount of busy %	Payment of MSP in GDP %
Great Britain	3738	62,6	13,1	47,9	50–53
Germany	3550	42,5	18,5	69,3	57
Italy	4125	71,5	16,8	73	57–60
Netherlands	555	35,8	3,425	57	50
France	2490	42,6	15,2	54	55–62
THE USA	15719	58,2	68	54	50–52
Japan	6450	49,6	39,5	78	52–55
North Korea	2769	60,1	8,89	81,9	48,4
Czech	836,9	80,5	3,23	64,3	52,9
Hungary	770	76,2	1,89	66	50–60
Poland	2546,5	65,8	5,33	60,6	60
Romania	377	16,8	1,77	42	52
Lithuania	158,7	23	1,137	69,2	73
Russia	891	5,65	8,3	13	10–11

The main restriction of advantages on the large production over small in the field of agriculture is:

1. With an increase of the concentration of production charges grow on internal transportations and moves.
2. The process of production complicates, the control after the production process weakens, and that is why the management efficiency goes down.
3. A large production in agriculture requires the significant land areas with substantial funds.
4. Existence in Ukraine of judicial limitations of landownership in one hands (the maximum size of landownership to 2010 year makes 100 hectares of agricultural lands).
5. In agriculture there are a lot of kinds of production which can be cost-effective within the limits of “small ” and even “shallow ” business (viticulture, gardening, beekeeping).[8]

However compared with the large business small forms of management aren't compelling on all the markets. The first condition of success in a small business is finding a market on which to be small is an advantage, but not a failing. Advantages of small business are:

Market size. A lot of markets, especially in villages, have limited sizes and low capacity.

Innovations and changes. The small enterprises are the basic source of innovations in the economy of the entire developed countries. They implement innovations to the market quicker than large enterprises.

Personal contact. Very often the advantage of small enterprises is the suggestion of the personal contacts which with time can turn in business relationships. Also advantage of small business is the personal relationships of the leader of the small enterprise with his inferiors that affects on higher quality of course of their duties.

The lacks of the small forms of management are:

Different access to the resources. This failing is especially seen on the capital market. Banks and the other sources of loans perceive small business as more risky, than large.

Lack the effect of scale. It is considered that business gets the economy, predefined the scale of production, and if its middle charges of the average cost per unit of output declining, and the level of product output grows.

Problems of internal specialization. The small forms of management lose a lot because there is no internal specialization. In the result, the businessman which starts his own business, lose a lot of time looking for clients, accounting, and working out the question concerning the using of the land, and the others.

Government control. According to the leading economists of the developed countries, burden of government control under the entrepreneurial activity, for the last 20 years grew a lot. Regulation is accompanied by the introduction of permanent spending which is almost equal for all the forms of enterprises. This and reporting, establishment of the safe equipment, or preparation and holding of different sort of check. The owner of the small form of management must execute this work after his main functions. For an agrarian production main function has seasonal character and very often owners of agrarian enterprises in a small business on the peak of seasonal works do not have time to process the documentation. Quite often it the result they do not have time to get the selected subsidies, or grants.

In world practice there is no accepted criteria to subsume enterprises to small or middle business. In every country there are some signs to subsume enterprises to the category of small. In the USA, for example, to delimit small business with large and middle, there is a law on small business (in 1953). Administration of small business (AMB), which was created to support the regional programs of development of small business, engaged in personal training of businessmen, to finance the scientific researches in this sphere, to provide through banks and funds tax-credit privileges to the small enterprises and to give them loans, to hold conferences and seminars, determine mutually beneficial copulas with large enterprises, to help the developing counties through international organizations in creation of small enterprise and small business, was created in the same year.[9]

In the year 1958 to the law on small business was made an amendment which clearly delimited the parameters of small business; it was necessary for granting the credits to the small firms on the conditions, considerably more advantageous, than for large business. In a law, in particular, marked that “a small firm is such enterprise which exists and functions independently, its owner is independent of other business entities, it does not prevail in the industry of business».

All the USA firms depending on the amount of the hired workers and in according to the criteria of AMB are divided into five categories: the smallest (1-24 persons), small (25-99), intermediate (100-499), large (500-999), very large – (1000 and more workers).

In agriculture, the American economists divide farms on categories, using the sum of the products sold by them (sales, thousand of dol.):

- I – (to 10 thousand of dol.) – if a farmer lives in rural areas;
- II – (from 10 to 40) – a small peasant farms;
- III – (from 40 to 250) – a family farm;
- IV – (from 250 to 500) – a large family farm;
- V – (over 500) – a super farm. [10]

Quantitative criteria of division of enterprises on large, middle and small within the borders of Ukraine are represented in different legislative acts and not always coincide with each other. In the Economic code, passed on the 01.01.2004, it is said that the small (regardless of patterns of ownership) are the enterprises in which the medium quantity of workers for a reporting (financial) year does not exceed 50 persons, and the amount of gross income of selling products (works, services) for this period does not exceed a sum, equivalent

to a five hundred thousand euro after the average annual course of the National bank of Ukraine in relation to a hryvnya.[1]

In the Ukrainian Law «The state support of small enterprises» from 19.10.2000p. №2063 – III the definition of the subject of small business entity is represented, according to which they are physical persons, registered as the subjects of entrepreneurial activity, and also legal entities – subjects of entrepreneurial activity of any legal form and patterns of ownership, in which a medium quantity does not exceed 50 persons for the reporting period, and the volume of annual gross earnings does not exceed 500000 Euros. The action of this law spreads on small business entities which operate in agriculture. [2]

According to the above definitions, concept of the small enterprise and entity, as the small business subject, coincide, that is why government might support them. At the same time, in compliance with the legislation of the President`s Law «About making alteration in Decree of President of Ukraine №727 from 03.07.1998p. «About the simplified system of taxation, account and accounting of small business entities» №746/99 from 28.06.1999y, the other quantitative criteria of small business entities are given. According to the Decree №727 the simplified system of taxation, account and accounting, is developed for such subjects of the small business:

- physical persons running the business without creation of legal entity with whom in labor relationships, including the members of their families, there are not more than 10 persons during the year and revenues from sales (commodities, works, services) for a year does not exceed 500 thousands of Uah;

- entities – subjects of entrepreneurial activity of any legal form and forms of ownership, in which medium quantity of workers does not exceed 50 persons and volume of profit from sales (commodities, works, services) for a year does not exceed 1 million Uah.[3]

We can make a conclusion, that there are some substantial differences in a legislative base concerning quantitative criteria of small business, which are used in Ukraine. This requires the adoption of the law, which would have removed the existing discrepancies.

In the agrarian forming of Ukraine, according to S.V.Dolinskiy, small organizational structures can be grouped as follows:

- I – private economies of the citizens and farms – subjects of small entities which function on the private lands and property funds and land shares, to the personal labor of businessman and him family on principles of individual activity;

- II – farms which function on the personal and leasable funds of production and land with a right of renting of labor force. Such legal form of management, as well as followings, on the quantity of workers belongs to small enterprises;

- III – private enterprises in a form of small enterprises, cooperative stores, societies, created on the basis of own property and land as separate enterprises and partners-accessories, are function on a labor of founders or wage labor;

- IV – private-rental company which function on the personal and leased funds. Rented lands and property are own shares of workers of reformed KSP;

- V – Enterprises providing technological, technical, transport, zoo-veterinary consultations and other services. [7]

Listed classification can be applied to the operation of small businesses in the agricultural sector. To our opinion, they can be classified as follows:

- I – private economies of the citizens and farms – subjects of small entities which function on the private lands and property funds and land shares, to the personal labor of businessman and him family on principles of individual activity;

- II – farms which function on the personal and leasable funds of production and land with a right of renting of labor force;

III – private enterprises of different legal forms which are created on the basis of own property and land functioning on the labor of founders or wage labor;

IV – private-rental companies of different legal forms which function on the personal and leased funds. Rented lands and property are the own shares of workers of reformed KSP.

The main requirement in this classification is the size of economies must meet the legislative criteria of enterprises to the small forms of management.

The analysis of world experience showed that foundation of enterprise is the substantial factor of successful development of market relations and stability of national economy. That is why practically in all the countries of the world the government participates in forming and development of entrepreneurial activity and support the most expedient and effective directions, especially in the small form of business. In the result of analysis of the small enterprises activity and directions of its usage in Ukraine, became evident the necessity of enhancing the role of government and regional control in development of small business, promotion of innovative technologies in an enterprise sphere. Research of features of development of domestic small business showed that macroeconomic terms hinder at the level of regions interfere the government help: imperfection of the system of taxation; instability of the budgetary financing of the government and regional programs of support of small enterprise; lack of development of mechanisms of financial-credit support and insurance of risks of small enterprises; absence of mechanisms of self-finance (credit unions, fund associations and others like that); restricting access of the small enterprises to the production capacities and property of the restructured enterprises; absence of reliable social protection and safety of businessmen; organizational problems of co-operation of small business with a market and with state structures; administrative barriers interfering the development of small enterprise. Systematization of the listed factors and terms of the development of small enterprise, allowed defining base directions of development and support of this sector (economic, social-cultural, innovative).

RESUME. For successful development of small business in agriculture of Ukraine it is necessary to take into account historical realities of country's development and functioning, and also features of every separate region. This necessity exists because there are a lot of different territories in Ukraine, each of them have a unique, inherent traits and characteristics. Therefore development of small business and the development of some state programs for its regulation requires for regional approach of functioning of this sphere and must be based on the usage of industrial and factorial analysis, using of computer-integrated indexes of development of small business, in separate agricultural regions, studying the influence of entrepreneurial activity in agriculture on economic, social, scientific spheres. For the formation and development of the state system to support business activity has great significance to study and adapt the global experience in the agrarian sector, where small business is the leading area of the market economy. World experience of management testifies that a small, middle and large enterprise don't exude, but supplement each other. The major constituent of market economy must be existence and co-operation of many large, middle and small enterprises and their optimum ratio.

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