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**Title of paper:** *Criteria for referring enterprises to small business and its features in agriculture*

**Title of paper (Polish):** *Kryterium zaliczenia subiektów działalności przedsiębiorczej do Małego biznesu i ich właściwości w rolnictwie.*

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**Key words (Polish):** *Kluczowe słowa: Mały biznes, rolnictwo, ilościowe kryterium, obszar użytków rolniczych, gospodarka farmerska, poparcie państwowe.*

**Synopsis:** *Defined criteria of referring enterprises to small businesses used all over the world. Calculated the amount of small agriculture enterprises to the total number of enterprises in the country. On the example of farms of Zaporizhyya region analyzed main criteria of small businesses. Recommended to differentiate small enterprises in agriculture according to the area of agricultural lands.*

The leading sector of developed countries is a small business. According to the European Charter, small businesses should be considered as one of the main driving forces of innovation, employment and social and local integration in Europe. Efforts for the development of a stable European economy will succeed only if small businesses will be nominated for first place in the agenda. Therefore, you must create a favorable environment for small business and entrepreneurship.

Nowadays small enterprises play a huge role in the economic development of our country. The main question is the determination of criteria of referring businesses to the category of small enterprises. It is quite normal: on the one hand - limited capacity of states to be used for the relevant purpose (direct financial assistance, exemption from import or export duties, special tax, etc.), on the other – appearance of some “weakening” automatically leads to existence of too many challengers to get it. [Parsyak 2002].

In the world economy there is no uniform definition of small business. More than 50 different statistical factors of the small business are used. Quantitative criteria dominate: numbers of employees, annual business turnover, etc. Widely used qualitative criteria such as the mass of profit, direct personal contact with the production management staff, customers, suppliers, autonomy, hard dependency on nearby markets and sources of raw materials and others.

In Britain, for example, to small enterprises and firms belong enterprises with the number of employees to 200 people in the industry and 25 in construction. In France it includes businesses and firms with the number of employees from 10 to 50 people, in the craft - the number of employees to 10 people. In Bulgaria to small business belong enterprises with the number of employees to 50 people. In Japan, for medium and small enter-

prises in the extractive and machining industry, transport and construction include companies with a capital to 0.1 billion yen (about 700 thousand dollars.) and the number of employees to 300. In wholesale trade to 30 million yen and 100 employees. In retail trade and services - 10 million yen and 50 employees. In Germany among small and medium businesses are firms with the number of employees less than 300 people and with annual turnover of 100 million Euros.[Varnaliy 2005].

The law of Ukraine «About state support of small business» from 19.10.2000y. № 2063 - III provides the definition of "small businesses, which are considered to be individuals, registered in the prescribed manner as business entities and legal entities - business entities of any organizational-legal form and ownership, in which the average number for the reporting period (calendar year) does not exceed 50 persons, and annual gross income not exceeding 70 million hryven. This law effects to the subjects of small businesses that operate in agriculture.[Act 2000]

Analysis of the actual state of small business in Ukraine shows that the production process in entrepreneurial activity is spontaneous. Entrepreneurs act in the sphere where they can easily get revenues for shorter periods - in the non-sphere, in the services trade.

Classification of small businesses according to the activities defined by the following main factors: the specificity of the competitive environment in the various industry markets, barriers to access to the market, features of licensing activities, demand for related products and services, profitability, character property sectors [Horovyy 2007]. Because of these factors the amount of small agriculture businesses to the total number of them in the country is low, and in recent years its amount is reducing. So in 2007 the percent of agriculture, hunting and forestry was 4.8% versus 2.1% in 1998 and from 5.1% in 2006. (Table 1).

Table 1

Dynamics of the number of small enterprises in the total number of enterprises by main economic activity

Indicators	2003	2004	2005	2006	2007
Total	85,7	85,6	85,7	85,3	85,1
Including:					
Agriculture, hunting and forestry	60,3	65,6	69,5	73,7	75,8
Industry	82,7	82,5	82,2	81,4	81,2
Construction	89,0	88,1	88,3	87,4	86,5
Wholesale and retail trade, repair services	85,4	83,9	83,0	81,4	80,4
Hotels and restaurants	95,9	96,0	95,8	95,0	94,5
Transportation and communication	87,4	87,3	87,2	86,9	86,8
Financial activities	87,6	86,8	87,4	86,7	86,1
Real estate transactions, leasing, engineering and service business	94,1	94,2	93,9	93,7	93,4
Education	90,6	90,8	90,9	94,6	94,7
Health and social assistance	91,1	92,0	92,1	92,7	93,3
Communal and individual services activities in the sphere of culture and sports	93,5	93,3	93,1	92,9	92,4

On the other hand, thanks to this law, small businesses in agriculture are the main producers of agricultural products. Thus, the share of small enterprises in the total number of enterprises in agriculture of Ukraine for the period 2003-2007 increased from 60.3 to 75.8 percent. The corresponding figure in statistical reporting for 2008 will be even higher. The reason for this is made in September 2008 changes to the criteria related enterprises to small businesses, in which annual gross income must not exceed 70 million hryven. In the previous Act, annual gross income amounted to 500 thousand Euros, according to the nowadays Currency Converter it is 5 million hryven. Increasing of this index affected in 14 items.

According to this table almost all the farms, private farms and most of the businesses are small enterprises. Considering the terms of Ukrainian legislation we will study all the definition of each category of listed structures.

According to the law, private farm is a business activity functioning without creating of entity, individually or under the rule of family members or living together people, to satisfy personal needs through the production, processing and consumption of agricultural products, implementation of its surplus and the provision of a private farm property, including green tourism. [Act 2003]

Ranching, according to the Law «About the ranching», is a form of entrepreneurial activity of citizens under the rule of legal person, which are willing to produce agricultural products, proceed it and sale for profit on land granted to them for farming .[Act 1992]

Company - an independent economic entity authorized and has the right of entity, independent balance, settlement and other accounts in offices of banks, seals with their names, has production, research, commercial and other activities in order to obtain an appropriate profit (income) . [Act 1991] According to this definition agricultural enterprise is also in this category.

For example, analyze quantitative and qualitative parameters (net income, level of profitability) of activities of Zaporizhya region farms.(Table 2).

All of the groups of farms listed in the table can be the small enterprise. The exceptions are farms with area of 500 hectares or more, we have 127 such farms in this region. Among these farms only on 21% work more than 50 employees. Maximum proceeds from the sale ranges from 10 to 20 million hryven. On average at one farm of this group work 13 employees and 1235.5 thousands proceed from the sale. The level of profitability of production in this group is the highest - 41%, the average size of agricultural lands - 1044 hectares. So we can make the assumption that companies with the size of agricultural land in 1000 ha and more appropriate not to include to the small businesses.

For some developed countries (USA, Japan) Sectoral differentiation indices is typical industrial according to which defines small and medium businesses. We think that, this approach is economically justified because the volume of production and resource requirements in different areas is different. Speaking about Ukraine as a state with large areas of land, lack of high productivity and diversity of management in agriculture, is appropriate to fix legislatively criterion of relevance to small business such as an area of agricultural lands.

Table 2

Quantitative and qualitative criteria for the activities of Zaporizhya farms depending on size of farmland in 2007.

Groups by area pp. d. land, ha	The number of the house- holds in the group	Amount of lands in the farm, ha	Number of employees on 10 farms, people.	Revenue from the sale on one farm, thousand hryven	Net income per farm, thousand hryven	Level of profitability from all activity, %
3 ha	14	2,02	15	7,86	1,54	24,4
from 3.1 to 5	25	4,48	10	2,49	0,812	24,5
from 5.1 to 10	155	7,74	12	4,45	0,583	14,7
from 10.1 to 20	215	16,17	13	5,42	-1,18	-20,6
from 20.1 to 50	905	39,38	15	23,7	4,06	20,3
from 50.1 to 100	269	73,79	16	44,0	8,88	25,0
from 100.1 to 500	370	232,05	43	230,0	68,3	39,9
More 500	127	1044,45	132	1235,5	395,2	41,0
Total (av- erage)	2081	133,98	27	133,25	39,1	37,8

We recommend to use this criterion to differentiate a small business in agriculture as follows:

I- (20hectares)-private farms and small farms;

II - (20 to 100) - family farming;

III - (100 to 1000) - farmers and agricultural enterprises of various organizational and legal forms

Based on the recommended graduation we should differentiate state support of small business in agriculture.

Sharing quantitative criteria allows the state and international organizations to help small businesses directly, i.e., those business entities that have the worst position because of problems related to their size. These subjects in agriculture firstly are private farms, which

as the main producers of products are almost outside the financial support of the state. In conditions of economic crisis, only a small number of banks agreed to provide loans to small entrepreneurs in agriculture.

Analyzing foreign and domestic experience in promoting the development of state small businesses, the authors consider one of the most important components of public support in the agriculture system of government contracts that could allow private farms, farms and small agricultural businesses to obtain a guaranteed market, to accelerate the process accumulation of capital and enhance competitiveness.

International experience of management shows that the most important component of a market economy should be the existence and interaction of many large, medium and small enterprises. Introduction to the criteria of small business area of land will enable optimally combine small, medium and big business in agriculture.

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