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## **Facilitation of small business development as a means of combating labour migration**

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**Abstract.** The undeniable relevance of the research stems from the intensification of the migration crisis in Ukraine and the increase in the number of migrant workers to 100 thousand people per month. The main trends, causes and consequences of labour migration from Ukraine prove the need to find new tools that can prevent an increase in the flow of migrant workers. The object of the study is the process of facilitating small business development, which is considered as a priority means of combating labour migration in Ukraine. The practical value of the obtained research results lies in the possibility of their application in the Ukrainian realities and the solution of the migration crisis problem by improving the economic conditions of the most mass stratum of business entities. The list of facilitation and deregulation measures for small business entities formed on the basis of diagnostics of the current legal framework allowed to conduct a critical reforms analysis, identify "bottlenecks" and problems of legislative implementation. The author verified that the provision of financial and credit support to small business entities under the soft loan program is feasible only if quality monitoring of the targeted use of funds is provided. Due to the calculations, the size of an additional limiting parameter to the applicants' business plans was determined, in particular, the return on capital investment of not less than 10%. Thus, the need for this percentage entails the lack or insufficient quality of monitoring.

**Keywords.** labour migration, employment, small businesses, facilitation, deregulation, regulatory support

### **Introduction**

This article is devoted to the problem of labour migration and one of the areas of its solution is facilitation of small business development. Facilitation here means the process of promoting the development of small business by providing entities with financial, information and consulting support, stimulating innovation and minimizing economic risks. Small business is considered as an underestimated reserve to improve employment both by increasing the number of small businesses employees and by raising the number of self-employed people. The relevance of the chosen topic lies in a fact that labour migration is one of the most serious state problems in Ukraine and requires urgent measures to tackle it. The lack of clear principles of state migration policy, a narrow range of countries with which agreements on mutual employment of citizens have been concluded, the insufficient level of social protection of workers lead to the search for new means of combating labour migration. Positive foreign

experience also testifies in favor of facilitating small business development as a priority means of combating labour migration [1].

**Literature review.** Various aspects of labour migration have been studied by such leading national scientists as O.I. Savchenko, I.K. Vasylenko, S.I. Bratkov, D.V. Goloborodko, V.M. Stobovy, N.P. Tyndyk, I.A. Lapshina., O.V. Polishchuk, B.M. Yuskiv, Y.O. Volosko, S.V. Slabinska, O.M. Prokopyuk, O.A. Malinovska, M.I. Pityulych, S.B. Chekhovych, M.V. Roshchina, L.S. Bordanova and others, as well as foreign scientists C. M. Schmidt, T. K. Bauer, B. Laubenthal, T. Barsbai, N. Rapoport, A. Steinmayr, S. Trebesch, H. F. Chang, E. Nica, etc.

O.A. Malinovskaya argues that the impact of labour migration on Ukraine's development is ambivalent, and its long-term consequences pose serious threats to the country's demographic, socio-economic and socio-cultural development. We consider it appropriate to agree with the author, who sees European integration as a paramount priority for improving the migration policy of Ukraine and emphasizes the need for exclusively legislative regulation of migration processes [2, p. 426].

V.V. Goblik claims that the solution to the issue of labour migration lays in the introduction of preferential regimes in cross-border regions, in particular, stimulating foreign investment, exploring new technologies, importing high-tech equipment, which will lead to cross-border business development and diversification of goods and services markets [3, p. 53 - 63].

The generalization of modern scientific approaches to solving the problem of labour migration and neutralizing its consequences proves the hypothesis validity regarding the existence of an inverse relationship between the entrepreneurship development in the country and the level of labour migration. With the improvement of business conditions for small business entities, there is a decrease in the flow of migrant workers from the country, an increase in the level of employment and a raise in the number of workplaces and self-employed people.

In addition to the available scientific achievements regarding the means of combating labour migration, according to the author, their main source today is the legal support of business entities economic activity, which contains a wide range of facilitation and deregulation measures aimed at improving business conditions for business entities, first and foremost, entities of small business and micro-entrepreneurship. The latter may be considered as a reserve to increase employment.

**Aims.** The aim of the author's research is to validate the hypothesis that facilitation of small business development is an effective means of combating labour migration and to identify modern priority directions for facilitation of national small business, formed under a critical analysis of current regulations.

**Methods.** The papers of national and foreign scientists in the field of labour migration were used as a theoretical framework for this research. The author applied general scientific research methods, such as analysis, synthesis, induction and deduction, system approach, laws of logical inference; statistical research methods during the processing of statistical information, graphical method for determining dependencies and graphic construction, method of comparison, method of analogy, critical analysis in the diagnosis of reforms to facilitate and deregulate economic activity of small business entities in Ukraine, the method of economic experiment in calculating the minimum amount of revenue and return on capital investments of SBEs to participate in the program of preferential lending.

**Results.** According to the official data of the State Statistics Service of Ukraine (SSSU), there is a migration increase in 5 regions (Kyiv region, Lviv region, Odesa region, Poltava region and Kharkiv region) in 2019. The rest of the Ukrainian regions are characterized by migration reduction, which in most cases is associated with labour migration (fig. 1).

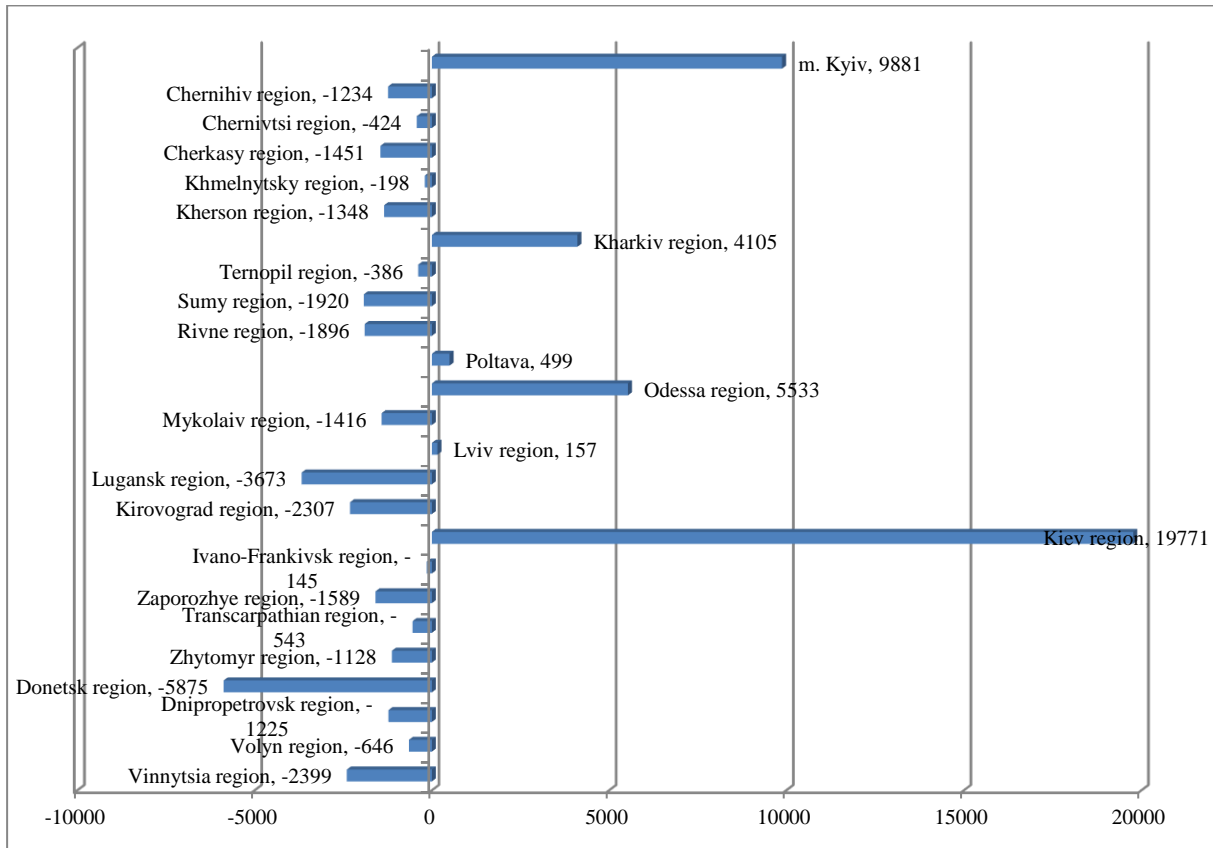
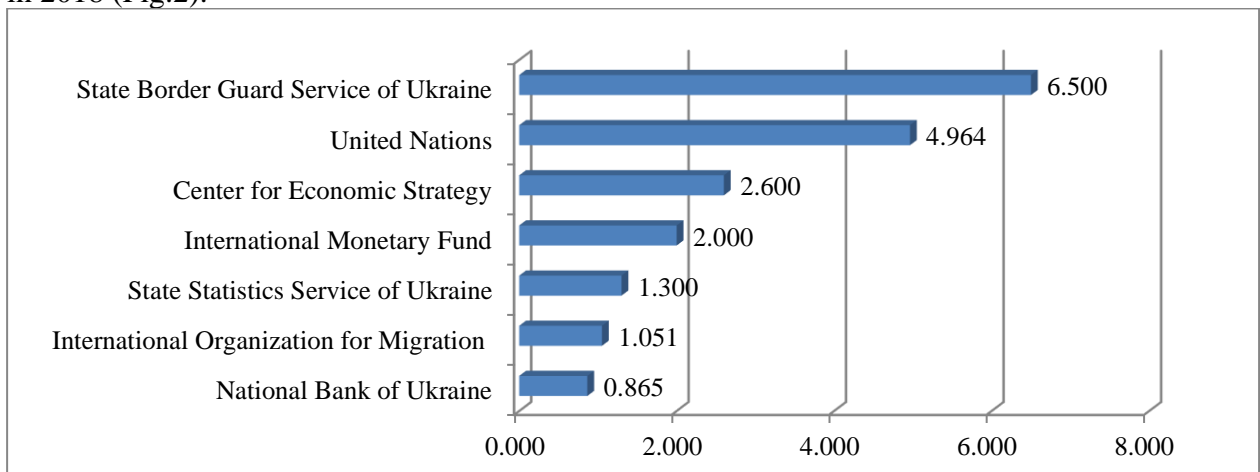


Fig.1. Migration increase (decrease) of the population of Ukraine in 2019, units of cases  
Source: developed by author on the basis of [4].

By and large, in Ukraine in 2019, migration growth was recorded in the amount of 10,143 units of cases. It should be noted that official statistics do not give us a clear idea of the real scale of external labour migration. The number of migrant workers is estimated by various national and international institutions ranging from 865 thousand people<sup>1</sup> to 6.5 million people in 2018 (Fig.2).



<sup>1</sup> In this case, the values of the volume of labour migration beyond the lower limit of the range were chosen to construct the graph. This rule also applies to indicators of all institutions, without exception, involved in the comparison.

Fig.2. The number of labour migrants from Ukraine in 2018, according to estimates of leading national and international institutions, million people.

*Source: developed by author on the basis of [4], [5], [6], [7], [8], [9], [10], [11].*

It should be noted that most institutions are not able to disclose the exact number of migrant workers from Ukraine. Thus, according to the State Statistics Service, 1.3<sup>2</sup> - 2.3 million people work outside Ukraine [4], according to the National Bank of Ukraine (NBU) - from 0.865 to 1.384 million people, which is 5 - 8% of the total labour force, calculated in accordance with the working population of Ukraine in 2018 [6]; according to the Center for Economic Policy- Center for Economic Strategy (CES), the number of migrant workers from Ukraine in 2018 was about 4 million people, but the number of workers who are at the same time outside the country is much smaller and ranges from 2, 6 - 2.7 million people [7]; The International Monetary Fund estimates the number of labour migrants from Ukraine at 2-3 million people [8].

The annual volume of external labour migration from Ukraine in 2019 is 100 thousand people per month, which corresponds to the intensity of the migration flow of 2 people per minute. Since 2010, about 4 million citizens have left Ukraine, which is about 10% of the population.

In recent years, the main flows of labour migration are concentrated in such areas as Poland, Hungary, the Czech Republic, Slovakia, and Estonia (Table 1).

Table 1

**Characteristics of labour migration flows from Ukraine in 2019**

№	Country	Approximate number of migrant workers, thousand people	The main trends, general characteristics of the migration process
1	Poland	346 – 2600*	According to the estimates Economic Analysis Department of the Central Bank of Poland (NBP) in 2017, the volume of labour migration from Ukraine to Poland should be 200-300 thousand people per year. According to the SSSU, 38.9 of all migrant workers go to Poland [4], [5]. According to the NBU, this figure is slightly higher and reaches 40% [6]. Given the minimum volume of labour migration from Ukraine to Poland, estimated at 1,200,000 people per year, the projected values in 2019 reached their upper limit.
2	Czech Republic	81,695** 21,746*** 11,382****	Labour shortages in the country and difficulties in recruiting foreigners have led to an increase in the number of cases of illegal employment. At the beginning of 2019, 2,873 illegal workers

<sup>2</sup> This indicator is calculated on the basis of a survey conducted by the State Statistics Service of Ukraine, which covered 20 thousand households. The obtained results were extrapolated to the entire population of Ukraine using the methodology of the ILO (International Labour Organization). The figure of 1.3 million people is understated due to the fact that it includes only a contingent of migrant workers who went abroad for a short time and long-term migrants who have a family in Ukraine. Migrant workers who left with their families, as well as those who did not have a family in Ukraine at all, were not included in the sample.

			from Ukraine were found in the Czech Republic who did not have an official work permit in the country. The exact number remains unknown. Most illegal workers have valid Polish work visas and migrate from Ukraine to the Czech Republic via Poland. [12]
3	Estonia	more than 24	Since the beginning of 2019, there have been approximately 32,000 migrant workers in Estonia, of which 75% are Ukrainians [13].
4	Slovakia	11,842*****	In the beginning of 2019, Ukrainians 24,913 temporary and permanent residence permits in Slovakia had. The number of residence permits issued in 2018 is 14,917, and employment permits for the same period is 8,473 [14].  Labour shortage in the country has forced the government to introduce certain changes to the legal framework for labour legislation in order to attract migrant workers: reduction of the period of stay, vacancies available to citizens of Slovakia in the list of the Labour Office to 20 days; change of the conditions for employers to hire foreigners; introduction of the institute of scarce specialties; time reduction for consideration of the application for a residence permit to 30 days, etc. [5].
5	Hungary	6,1***** 10,503*****	The number of work permits issued to Ukrainian workers in Hungary has been significantly reduced since 2013. In 2017, their number was 950, which corresponds to 45.7% of the 2013 figure. [5]
6	Finland	approx. 1% of the total number of labour migrants from Ukraine [15, p. 20]*****	According to the Finnish Immigration Service, in 2018, 1,800 people came to work in Finland from Ukraine (3rd place in terms of the number of migrant workers) [16]. The exact number of migrant workers from Ukraine cannot be counted due to the fact that the Immigration Service does not monitor the arrival of workers at enterprises not registered in Finland.
7	Russia	9% potential labour migrants***** 14,8*****	In 2018, the number of migrant workers from Ukraine to Russia has tripled. The flow of forced migrants from the eastern part of Ukraine has also stopped.

*Source: developed by authors on the basis of [4], [5], [6], [12], [13],[14], [15], [16], [17].*

*Note to the table 1:*

\* The range of values of the approximate number of labour migrants from Ukraine to Poland was calculated by the author as the total number of labour migrants from Ukraine according to the estimation of national and international institutions and the share of labour migrants to Poland according to the NBU (0.4). The lower limit of the range reflects the position of the NBU, and the upper limit - the SBGSU.

\*\* This indicator corresponds to the number of officially employed citizens of Ukraine in the Czech Republic in the beginning of 2018.

\*\*\* This indicator corresponds to the number of Ukrainian entrepreneurs in the Czech Republic in 2018.

\*\*\*\* This indicator corresponds to the number of citizens of Ukraine, who are holders of work cards in the Czech Republic in the beginning of 2018.

\*\*\*\*\*The number of Ukrainians who worked in Slovakia in 2018, including those, who hadn't got employment permits.

\*\*\*\*\* Data from the Central Statistical Office of Hungary on the number of Ukrainians living in Hungary at the end of 2018.

\*\*\*\*\* Data from the Central Statistical Office of Hungary on the number of Ukrainians who were in Hungary in 2018.

\*\*\*\*\* Data up to 2017.

\*\*\*\*\* Data from the International Association for Migration (IAM). Research on migration and human trafficking [17].

\*\*\*\*\* Rosstat data for 2018.

The main trends in labour migration, presented in Table 1, indicate a significant increase in migration flows from Ukraine in the last decade. Based on the results of a study on migration and human trafficking conducted in Ukraine, Moldova, Belarus and Georgia, the International Organization for Migration cites not only the estimated number of Ukrainians working abroad at the time of the survey, but also the number of potential migrant workers which amounts 14% of the total population (those who have already found or plan to find work abroad) [11]. This figure is 10% higher than in 2006. Furthermore, the number of potential labour migrants in 2019 is 6-9% higher than the real migration flow from Ukraine, according to the NBU, which is the basis for urgent decisions to improve the real migration climate and prevent the migration crisis. The challenge for Ukraine is not only the increasing labour migration, but also the intensive participation of young people, capable and highly skilled workers in labour migration. In addition, it should be outlined, an increasing share of unemployed labour migrants who work without permits and have an unregulated legal status, and an increasing share of permanent labour migrants.

Labour migration from Ukraine is not related to the international division of labour regarding the stable concentration of certain types of products production in certain regions, which in turn is typical for many countries around the world. The following reasons for labour migration from Ukraine, which in most cases have an economic origin can be pointed out: the oppressive situation in the labour market of Ukraine (low real wage<sup>3</sup> growth, low purchasing

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<sup>3</sup> The growth rate of real wages in 2018 compared to the previous year is 112.5%. The average annual growth rate of real wages over the last decade is 106.2% [4]. It should be noted that the volume of real wages in Ukraine is unsatisfactory due to the low size of nominal wages (in 2018 the average monthly nominal wage was 8865 UAH, and in 2019 - 9205.19 UAH), high level of wage taxation the standard wage tax rate reaches 19.5%: 18% - income tax sole proprietor (ITSP), 1.5% - military tax, 22% accrued and paid by the employer, as a result of which this amount is not included in the total amount of deductions from wages.), high prices for goods and services. It is also worth noting that the total wage debt in the country in 2019 increased by 14.7% and at the beginning of January 2020, according to the Pension Fund of Ukraine amounted to 3.034 billion UAH.

power, declining numbers of business entities<sup>4</sup>, rising unemployment<sup>5</sup>, declining vacancies<sup>6</sup>, low share of legally employed population of working age<sup>7</sup>); higher wages abroad (in particular, in Poland wages are on average 3 times higher [6]); low index of migration attractiveness of Ukraine; higher living standards in countries where Ukrainians migrate; favorable economic situation in the countries of the main directions of migration; cultural and linguistic similarity, long history of interconnected migration processes (This applies mainly to countries such as the Czech Republic, Poland, Hungary. As an example, the history of migration relations between Ukraine and the Czech Republic is more than 150 years.); war in eastern Ukraine (forced migration), etc.

The NBU claims that for 10 months of 2019, Ukrainian migrant workers transferred to Ukraine about \$ 9.7 billion. (This is almost 5 times more than the amount of foreign direct investment in Ukraine in 2018, which according to statistical information of the Ministry of Finance of Ukraine amounted to 2.355 billion dollars [19]). By the end of the year, the expected amount of revenue will be 11.5 billion dollars, which is 7% higher than last year [20]. This fact has a positive impact on the Ukrainian economy, because remittances from abroad are a significant source of foreign exchange earnings to the country and contribute to the stabilization of the hryvnia exchange rate. At the same time, it should be noted that the outflow of labour force poses a threat to Ukraine's economic development in the long term that may lead to higher inflation and slower economic growth.

Small business entities (SBEs) in Ukraine are considered as an underestimated reserve for employment growth both due to the increase in the number of self-employed people and due to the workplaces they create for hired employees. In the beginning of 2019, 99.1% of all national business entities are represented in SBEs. It is worth outlining that the number of hired employees in the SBEs over the past 9 years has decreased and in 2018 amounted to 85.8% from the indicator in 2010, which corresponds to the value of 2603,135 people. A similar negative trend can be observed for employed workers by SBEs. Their number in the period from 2010 to 2018 decreased by 15.8% to 4173665 people (Fig. 3).

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<sup>4</sup> In the end of 2018, the number of business entities in Ukraine compared to 2010 decreased by 15.8% and amounted to 1839,672 units, including small business entities- by 15.7% [4].

<sup>5</sup> In Ukraine, the growth of the unemployed population in the general structure of the population aged 15 - 70 years to 8.8% in 2018, which is 0.6% higher than in 2010 (8.2%) and, accordingly, an increase in the share of the unemployed relative to the economic active population of the corresponding age group to 9.1% in 2018, which is 0.2% higher than in 2010. In December 2019, the number of unemployed increased by 15% compared to November (from 288.9 thousand people to 338.2 thousand people.) [4].

<sup>6</sup> According to the State Statistics Service of Ukraine, in December 2019 the number of vacancies decreased by 27% compared to November, and the number of candidates for 1 vacancy was 6 people. For comparison, in November 2019, the number of candidates for 1 vacancy corresponded to 4 people [4].

<sup>7</sup> According to the Ministry of Economic Development, Trade and Agriculture of Ukraine, only 12.8 million people work legally, which is 44.9% of the total number of Ukrainians of working age in 2019 [18].

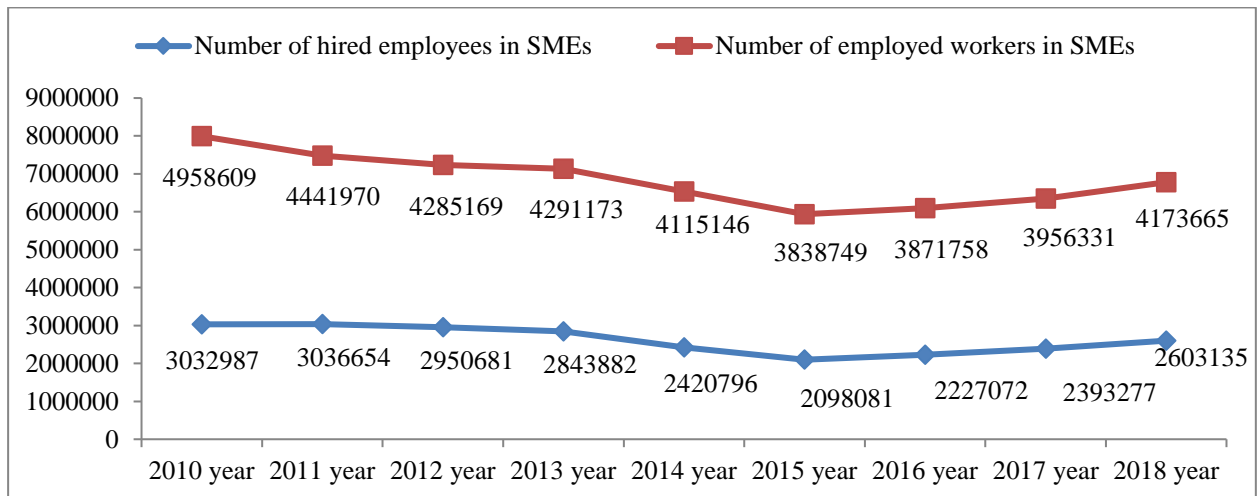


Figure 3. The number of hired employees and employed workers in the SBEs in Ukraine in 2010 - 2018, people.

Source: developed by author on the basis of [4].

Indicators of the number of employed and hired employees in the SBEs indirectly reflect the state and trends of small business development in Ukraine. The decrease in employment due to SBEs in the period proves the fact of deteriorating business conditions of this group of business entities. Consequently, SBEs are inferior to large and medium-sized enterprises in their capabilities; they need to implement a wide range of facilitation measures at the state level in order to ensure their competitiveness and viability.

Today, Ukraine is undergoing significant reforms aimed at creating a favorable environment for the functioning of SBEs and deregulation of their economic activities, in particular, removing administrative barriers, eliminating unnecessary administrative procedures, bringing bylaws regulations in accordance with the Laws of Ukraine and international legal obligations, reforming the permit system, licensing, state supervision and control bodies, maximum simplification of business conditions, compliance with the principle of transparency and consideration of public opinion. A detailed analysis of the implemented reforms allowed to form a list of current facilitation and deregulation measures for economic activity of small businesses in terms of basic regulations and to give their author's assessment (Table 2).

Table 2

**Regulatory and legal support for facilitation and deregulation of SBEs economic activity in Ukraine in 2015 - 2020**

№	Regulatory act	General characteristics	Facilitation and deregulation measures
1	Resolution of the Cabinet of Ministers of Ukraine "On amendments to the Resolution of the Cabinet of Ministers of Ukraine from March 11, 2004 № 308" № 1151-2015-n of December 16, 2015 [21]	Amendments to the methodology of regulatory act impact analysis, introduction of M-Test, the test of small business, which includes: consultation with small business representatives, measuring the impact of regulation on SBEs, calculating the costs and total	Improving the regulatory and legal support of SBEs economic activity: creating opportunities for the adoption of only economically feasible effective regulatory acts.

		costs of SBEs to comply with regulatory requirements, developing mitigation measures for SBEs regarding regulation.	
2	The Law of Ukraine "On licensing of economic activities" № 222 from 02.03.2015 [22]	Approval of new licensing conditions, principles of state policy on licensing, determination of economic activity types regarding licensing, detailing of licensing procedure, state supervision and control in the field of licensing.	Simplification of the procedure for obtaining licenses, reduction of the list of economic activity types regarding licensing from 81 in 2009 to 30 in 2015
3	Resolution of the Cabinet of Ministers of Ukraine "On approval of the plan of measures of deregulation of economic activity and recognition as invalid some orders of the Cabinet of Ministers of Ukraine № 615" from 23.08.2016 [23]	Approval of the plan measures for deregulation of economic activity.	Simplification of business conditions in the agricultural, construction, food industry, IT and telecommunications sectors; simplification of administrative procedures for regulating economic activity, including customs and tax; improvement of technical regulation procedure and state supervision over economic activity regulation.
4	The Law of Ukraine "On amendments to the CCU and some other laws of Ukraine on the introduction of the "single window" mechanism and optimization of control procedures upon the transportation of goods across the Customs Border of Ukraine" № 2530-VIII from 07.02.2019 [24]	Amendments to the CCU on the "single window" mechanism, documentary control in the field of international road transport, interaction of revenue and collection bodies with other competent bodies upon the transportation of goods across the customs border, automated information system of revenue and fee bodies, etc.	Simplification of administrative procedures and document circulation, optimization of control procedures when transporting goods across the customs border of Ukraine by introducing a "single window" mechanism and creating a single state information web portal "Single window for international trade".
5	The Law of Ukraine "On amendments to the Law of Ukraine", "On application of registrars of settlement operations	Amendments and clarification of the legal basis for the use of registrars of settlement transactions, supplementing the Law of Ukraine with the	Improving the processes of cash settlements and control over their implementation: the use along with the classic

	in the sphere of trade, public catering and services" and other laws of Ukraine regard de-shadowing of settlements in the sphere of trade and services, №128-IX from 20.09.2019 [25]	section "Requirements for customer complaints regarding violations of the established procedure for settlement operations."	software RST and electronic settlement documents; introduction of a "cashback" mechanism in case of violations.
6	The Law of Ukraine "On amendments to the Tax Code of Ukraine on the de-shading settlement in the sphere of trade and services" №129-IX from 20.09.2019 [26]	Amendments to the TCU regarding the RST data accounting system, electronic taxpayer's office, settlement of the issue of transition to the general taxation system, collection of tax information, receipt of tax information by controlling bodies, procedure for actual inspections, administrative seizure of property, fines.	De-shadowing of cash settlements, introduction of additional restrictions for SP on SOF, related to the type of economic activity, terms and conditions of RST application.
7	The Law of Ukraine "On amendments to the CCU regarding the protection of intellectual property rights upon the transportation of goods across the Customs Border of Ukraine" № 202-IX from 17.10.2019 [27]	Amendments to the CCU on counterfeit goods, pirated goods, goods suspected of infringing intellectual property rights, customs control and customs clearance of goods containing intellectual property rights, customs register of intellectual property rights.	Harmonization of customs legislation of Ukraine in the field of intellectual property protection with EU standards and practice; promoting international trade; protection of national producers, simplification and acceleration of customs clearance of goods process during their transportation across the customs border of Ukraine; promoting freedom of legitimate trade; establishing rules to combat the illegal transportation of counterfeit goods.
8	Resolution of the Verkhovna Rada of Ukraine "On adaption of the Draft Law of Ukraine on amendments to certain legislative acts of Ukraine regarding pressure reduction upon	Amendments to the legislative acts of Ukraine to reduce the impact (pressure) on business entities by the state market surveillance authorities, clarification of the wording of certain articles and regulations.	Improvement of market surveillance and control process of business entities economic activity by setting a number of restrictions on inspections, including deadlines, venue, measures taken against the

	business by market surveillance authorities" № 276-IX from 12.11.2019 [28]		business entity, administrative documents, examination, corrective measures, administrative and economic sanctions, etc.
9	Resolution of the Verkhovna Rada of Ukraine "On adoption of the Draft Law of Ukraine on amendments to the Tax Code of Ukraine regarding the functioning of the electronic taxpayer's office, and Simplification of Work for Individual Entrepreneurs" № 424-IX from 20.12.2019 [29]	Amendments to the TCU on correspondence between taxpayers and regulatory authorities, the functioning of electronic taxpayer's office, certain aspects of filing a tax return, the procedure for conducting documentary scheduled inspections and registration of inspection results, accounting and reporting by single taxpayers.	Simplification of the conditions for conducting business activities of SP, in particular, introduction of a free regime of keeping an income book, abolition of its mandatory registration with the controlling body, abolition of penalties for its absence and conduct with violations; improving the work of the taxpayer's electronic office.
10	Decree of the President of Ukraine "On urgent measures to ensure favorable conditions for the activities of individuals-entrepreneurs" № 761/2019 from 17.10.2019 [30]	Resolving the issue of establishing a Coordinating Council for the development of micro and small businesses; the obligation to develop draft laws to provide favorable conditions for the activities of SP; taking measures to ensure transparent procedures for registration of settlement transactions in the sale of goods via the Internet; providing the possibility for taxpayers to test a free software solution for software RST; providing outreach on changes in the application of RST.	Guarantee: liberalization of conditions and criteria for assigning SP to the 1st group of SOF; introduction for 2 years of a moratorium on inspections of SP on compliance with the procedure for the application of RST; mitigation of SP liability for violation of the established reporting procedure.
11	Resolution of the Cabinet of Ministers of Ukraine "On the establishment of the Coordinating Council for the Development of Micro-Entrepreneurship and Small Business" №	Approval of the Coordination Council composition and regulations on the Coordination Council.	Improvement of the conditions for the development of entrepreneurship by small and micro business entities, including SP by facilitating the coordination of authorities' actions in conducting

	892-2019 from 28.10.2019 [31]		economic activities by SBEs; preparation of strategic decisions regarding reforms in the field of SBEs development; preparation of recommendations and proposals for the formation and implementation of state policy in the field of promoting the development of SBEs; identification of ways, mechanisms and options to solve problems related to the development of SBEs; ensuring explanatory work on the application of RST.
12	The NBU Resolution "On approval of amendments to the Instruction on the Procedure for Opening and Closing Bank Accounts of bank customers and correspondent accounts of residents and non-residents" № 162 from 27.12.2019 [32]	Clarification of the rules on the use of current accounts SP*: improving the process of their identification and verification; ban on the use of business accounts for personal needs of SP; providing the opportunity to transfer funds to the personal account of a SP from a business account only after payment of all taxes and fees provided by the TCU and the ECU.	Simplification of the procedure for closing accounts; protection of conscientious entrepreneurs, in particular SP, by promoting the fight against shady operations.
13	The Law of Ukraine "On amendments to the Tax Code to improve Tax Administration, eliminate technical and logical inconsistencies in Tax Legislation" № 1210 from 16.01.2020 [33]	Introduction of tax control international standards, implementation of the norms provided by the Counteraction Plan practices of tax base erosion and withdrawal of revenue from taxation (BEPS), reform of financial responsibility.	Harmonization of current legislation in accordance with EU norms and standards, improvement of the procedure for administration of taxes and fees; increase of limits for SP of 1 - 3 groups: up to 1 million UAH. (1 group), up to 5 million UAH. (2 groups), up to 7 million UAH. (3 groups); improving the procedure for appealing the decisions of regulatory authorities.

Source: developed by author on the basis of [21], [22], [23], [24], [25], [26], [27], [28], [29], [30], [31], [32], [33].

Note to the table 2:

\* In the beginning of 2019, the share of SP among SBEs was 96% [4].

Furthermore, the analysis revealed some contradictory norms for regulating certain aspects of SBEs<sup>8</sup> economic activity. This is mainly due to the gap in the adoption of certain regulations (current and recently adopted). It is worth noting that some reforms are purely declarative, and some of them have been negatively perceived by small businesses as complicating the conditions of their business and accompanied by increasing pressure from regulatory authorities.

Table 3

**Critical analysis of reforms to facilitate and deregulate SBEs economic activity in Ukraine**

№	Denomination of the legislative act	Perception of the legislative act by the SBEs and the public (positive "+", negative "-") *	Countermeasures (accompanying measures) **
1	Resolution of the Cabinet of Ministers of Ukraine 1151-2015 from 16.12.2015	"+" - positive	Publication of the Small Business Test Manual (M-Test): [34]
2	The Law of Ukraine № 222 from 02.03.2015	"+" - positive	<i>Further improvement of the procedure for licensing economic activity: adoption of the Law of Ukraine № 139-IX from 02.10.2019 [35]</i>
3	Resolution of the Cabinet of Ministers of Ukraine № 615- from 23.08.2016	"+" - positive	Publication of information on the status of implementation of measures plan for deregulation of economic activity [36]
4	The Law of Ukraine № 2530-VIII from 06.09.2018	"+" - positive	Signing of the MFU Order № 327 from 30.07.2019 [37]
5	The Law of Ukraine № 128-IX from 20.09.2019	"-" - drastically negative	Signing the Decree of the President of Ukraine № 761/2019 from 19.10.2019 at the request of the SBEs and the society <sup>9</sup>
6	The Law of Ukraine № 129-IX from 20.09.2019	"-" - drastically negative	

<sup>8</sup> An example of the simultaneous application of contradictory norms on one of the aspects of SBEs economic activity is the regulation of the use of SBEs registrars in the settlement transactions (RST), presented in the Law of Ukraine № 222-VIII from 02.03.2015 [22] and in the Law of Ukraine № 128-IX from 20.09.2019 [25].

<sup>9</sup> Laws of Ukraine № 128-IX and № 129-IX are grouped together and have common measures to prevent negative consequences for SBEs from their implementation because they differ not only in the date of their adoption, but

7	The Law of Ukraine № 202-IX from 17.10.2019	«+» - positive	It is the result of the implementation of the System Report recommendations «Actual problems of business in the customs sphere» [38]
8	Resolution of the Verkhovna Rada of Ukraine № 276-IX from 12.11.2019	«+» - positive	Planned refinement of Draft Laws considering the comments and the approval.
9	Resolution of the Verkhovna Rada of Ukraine № 424-IX from 20.12.2019	«+» - positive	
10	Decree of the President of Ukraine № 761/2019 from 19.10.2019	«+» - positive	Adoption of the Resolution of the Cabinet of Ministers of Ukraine № 892 from 28.10. 2019
11	Resolution of the Cabinet of Ministers of Ukraine № 892 from 28.10. 2019	«+» - positive	The Coordinating Council states the risks of untimely approval of regulations, in particular necessary for the launch of program RST, as a result of planned, but not implemented amendments to: MFU Order №13 from 21.01.2016 [39]; amendments to MFU order № 547 from 14.06.2016 <sup>10</sup> [40]; Resolution of the Cabinet of Ministers of Ukraine №1315 from 29.08.2002 [41]; Resolution of the Cabinet of Ministers of Ukraine №199 from 18.02.2002 [42]; the Order of MFU № 1057 from 08.10.2012 <sup>11</sup> [43] and preparation of the Draft Order of the MFU "On approval of the procedure for checking the RST for

also in the similarity of legal norms and provisions, including those, which concern a number of restrictions for sole proprietors, the mechanism of RST and cashback. It is worth noting that both laws were negatively perceived not only by the SBEs, but also by the general public, which led to joint countermeasures taken by the President and Government of Ukraine.

<sup>10</sup> Currently, both projects are being approved by the State Regulatory Service of Ukraine

<sup>11</sup> Currently, the projects have not been published.

			compliance with the requirements on implementation of fiscal functions" <sup>12</sup>
12	Resolution of NBU № 162 from 27.12.2019	"-" - drastically negative	Due to the wide public response and the extremely negative attitude of SP, the NBU abolished the rules on the use of current accounts of SP and individuals who conduct independent professional activity on the basis of the NBU Resolution № 7 from 15.01.2020 [44]
13	The Law of Ukraine № 1210 from 16.01.2020	«-» - drastically negative <sup>13</sup>	Amendments to the Law at the request of the European Business Association, Kyiv CCI, the Federation of Employers of Ukraine, the Business 100 community, etc. <sup>14</sup>

*Source: developed by author on the basis of [21 - 33]; [34 - 44].*

*Note to the table 3:*

*\* The assessment of the direction of legislative acts perception is carried out on the basis of analysis of numerous publications in periodicals, information messages in the media and online publications, which reflect the attitude of business entities and the general public to the adopted regulations.*

*\*\* This column shows the list of countermeasures that have been implemented in case of negative perception of the legal act by the general public and SBEs. In case of positive perception of the normative legal act, the list of accompanying measures which was taken for efficiency increase of its realization is given.*

The data of table. 3 shows that the introduced innovations do not always lead to the expected results and are positively perceived by the target audience, which requires countermeasures (amendments to existing regulations, initiation of development and adoption of additional regulations to offset the negative impact of reforms, implementation of programs facilitation of business development). There are cases of non-compliance or delay in the implementation of the provisions declared in regulations. For example, this applies to the Decree of the President of Ukraine № 761/2019 from 19.10.2019 regarding the preparation of a Draft Law on the introduction of a two-year moratorium on inspections of sole proprietors in

<sup>12</sup>Currently, the project has not been approved.

<sup>13</sup>The business community called on the president to veto the Draft Law, which, according to entrepreneurs, increases fiscal pressure, creates the conditions for corruption risks and worsens the investment climate in the country.

<sup>14</sup> The advantages of the new edition of the Law are the following: increase of the maximum amount of income for SBEs on ST 1-3 groups; extension of the cash method of VAT accounting to contractors and subcontractors; non-extension of benefits in the form of land tax to payers of ST 1 - 3 groups when providing real estate for rent; introduction of accelerated depreciation norms of fixed assets for 2020 - 2030; determination of liability in the form of disciplinary action for illegal refusal of taxpayers to provide tax assistance; application of the annual reporting period on income tax for taxpayers whose income does not exceed UAH 40 million; abolition of "soybean rapeseed amendments" and resumption of VAT refunds to Ukrainian exporters (from September 1, 2018 until now, Ukrainian farmers, who are entities of small and medium-sized enterprises have lost more than 10 USD per ton of sold soybeans).

the application of RST. In January 2020, the Draft Law has not been prepared, respectively; the moratorium has not yet been implemented. The deadline for approval of the Draft Law expired on January 19, 2020.

A separate negative point that reduces the effectiveness of reforms is the low level of specialists involvement, in particular, scientists specializing in small business development, to participate in the process of reforming and deregulating SBEs, first and foremost, at the stage of development and testing the regulations.

In addition to the above-mentioned reforms, the government and the President of Ukraine have announced the launch of a new program to support small business and micro-entrepreneurship "Come Back And Stay", which is aimed primarily at Ukrainian workers<sup>15</sup>. This initiative not only stimulates small business development by creating new SBEs and supporting existing ones, but also aims to bring migrant workers back to Ukraine, encouraging them to start a business. Migrant workers are a priority target audience for this program due to the European business experience they gained while being abroad and the availability of start-up capital, which has so far been invested mainly in real estate. The loan rates offered by the program will provide real financial support to start-up entrepreneurs due to the fact that today the rates on bank loans, as a rule, exceed 20%<sup>16</sup>. The program creates opportunities to start your own business in fact at public expense. The peculiarity of this program is the lack of state regulation of interest on loans in banks and non-interference of the state in the decision-making process for lending. The state compensates the difference in the bank's payments, thus giving the entrepreneur the opportunity to pay less. The decision to grant a loan is made exclusively by the bank. The main function of the state in the implementation of the program is to monitor the performance of the entrepreneur of all conditions stated the program. In February 3, 2020, 9855 applications for participation in the program have been submitted by existing business entities and 8023 applications from those wishing to start their own business (the total number of applications corresponds to 1% of the total number of SBEs in Ukraine) [45]. During the first two weeks of the program, the banks participating in the program (PrivatBank, Oschadbank and Ukrgasbank) issued UAH 27 million. Credit Funds. However, it should be noted that the implemented lending program will be successful and achieve its goal only if the monitoring of the use of funds provided is carefully monitored and cases of their misuse are prevented. The absence or poor quality of monitoring will create conditions for the enrichment of

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<sup>15</sup> The "Come Back And Stay" program, initiated by the President of Ukraine, starts on February 1, 2020. At the first stage of the program implementation, it is planned to provide affordable loans for starting a business at 5%, 7% or 9% per annum. The conditions for obtaining a business loan are the following: development of a business plan, a positive financial and credit reputation and payment discipline of the applicant. The special conditions of the program include: investment of 20% of own funds by the entrepreneur; granting a loan in the amount not exceeding UAH 1.5 million; the amount of annual income of the program participant - up to UAH 50 million; additional compensation of the interest rate in the amount of 0.5 % for each new employee; maximum loan term - up to 5 years; targeted use of credit funds; the purpose of the loan should be the acquisition of new or modernization of existing fixed assets, regardless of the type of economic activity; granting a loan for the purpose of starting a new business or developing an existing one, but one that does not exceed 12 months from the date of establishment.

<sup>16</sup> Current rates on bank loans of more than 20% per annum are unacceptable for SBEs, the level of profitability of which rarely exceeds 20%. To stimulate entrepreneurial initiative, it is advisable to compensate the interest rate. The practice of applying interest rate compensation to the agricultural sector in the early 2000s proved the existence of a multiplier effect of 1:20 (each hryvnia of interest rate compensation causes an increase in loans by UAH 20). It is possible to predict a certain reduction of the multiplier effect, considering the specifics of SBEs. However, it should be noted that despite the prospects of applying interest rate compensation, the program "Come Back And Stay" provides for the issuance of soft loans, the mechanism of which is significantly different and involves lending exclusively through a network of state-owned banks.

unconscientious entrepreneurs who do not seek business development, but easy gained revenue. As an example, an unconscientious entrepreneur, having received a soft loan at 5%, can put money on deposit as a sole proprietor at 15 - 17% (average rate on hryvnia deposits for sole proprietor in Ukraine as of January 2020). At the same time, even considering inflationary processes, after the return of credit funds, the entrepreneur has the opportunity to receive income in the amount of 9 - 10% per annum of the deposit amount without the need for business development. Such falsifications are possible in the absence or insufficient quality of state monitoring of the intended loans use. According to a study conducted by the author, which involved 122 small business entities, including utilities, state enterprises, joint stock companies, charitable foundations and organizations, NGOs, the average level of profitability of their business in 2018 is about 5 %, and 9.8% of SBEs are generally unprofitable. Thus, in order to justify the minimum amount of revenue and return on capital, the achievement of which would be the key to avoiding SBEs fraudulent enrichment schemes on the account of credit as a result of their low economic attractiveness compared to business organization, the calculations used the maximum available loan amount for SBEs - 1.5 million. UAH and the maximum loan term is 5 years, and the results are differentiated by loan rates of 5%, 7% and 9% (Table 4). To achieve equal lending conditions for small business entities, it is enough to hire a certain number of people. In particular, the SBEs, which received funds at 7% per annum, will be enough to hire 4 people, and the SBEs, which received funds at 9% per annum - 8 people. In this case, they will pay 5% annually (minimum rate under the soft loan program) with a bonus of 0.5% for each employee.

Table 4

**Calculation of the minimum amount of revenue and return on capital investment of SBEs to participate in the program of preferential lending \***

No salary	Parameters	For 1 year	For 5 years
1.	Amount of loan payments, UAH:		
1.1.	at an interest rate 5%	75000	375000
1.2.	at an interest rate 7%	105000	525000
1.3.	at an interest rate 9%	135000	675000
2.	The amount of deposit payments in UAH at a rate of 15% for individuals	225000	1125000
3.	The difference between the revenue from the deposit and the amount of loan payments, UAH:		
3.1.	at an interest rate 5%	150000	750000
3.2.	at an interest rate 7%	120000	600000
3.3.	at an interest rate 9%	90000	450000
4.	Minimum level of return on invested capital at the expense of credit funds, %: *		
4.1.	at an interest rate 5%	10%	50%
4.2.	at an interest rate 7%	8%	40%
4.3.	at an interest rate 9%	6%	30%

*Source: developed by author.*

*Note to the table 4:*

*\* The calculations were made without considering payments for the bank's related services and insurance payments that may take place when concluding a loan agreement. Their*

size can vary significantly and depend not only on the bank's policy, but also on the presence / absence of debt under the loan agreement.

\*\* The level of return on invested capital in this case is calculated by the formula:

$$R_c = \frac{R-P}{C} * 100\% \quad (1)$$

where  $R_c$  – return on invested capital, %

$R$  – revenue from the deposit of SP, thousand UAH

$P$  – loan payments, thousand UAH.

$C$  – amount of invested capital (amount of credit funds) thousand UAH

Given the above, it is advisable to provide soft loans to SBEs. Hence, the expected return on capital investment, according to the submitted business plan, is less than 10% per annum, unless the quality monitoring of targeted use of funds is conducted. This prevents fraudulent enrichment schemes and stimulates small business projects to increase the efficiency of their economic activities. The expected return on capital investment of SBEs should be presented in the business plan when justifying the need for credit. The following formula is implied:

$$R_{ci} = \frac{\Delta R}{CI} * 100\% \quad (2)$$

where  $R_{ci}$  – return on capital investment, %

$\Delta R$  – increase in SBEs revenue due to invested funds, thousand UAH

$CI$  – amount of capital investments, thousand UAH

This indicator may differ significantly from the return of SBEs due to differences in the algorithm for calculating and dividing gross costs into two groups: standard business costs (both fixed and variable) and costs directly related to project implementation and capital investment. When calculating  $\Delta R$ , only costs related to the development of capital investments can be used (for example, the cost of maintaining additional staff, maintenance of purchased equipment, additional premises rent, etc.)

According to the author, the priority means of combating labour migration in Ukraine is to facilitate the development of national small business, which is based on a number of measures to stimulate and support small business development, in particular, financial and credit support, quality regulatory and legal support of economic activity process, reduction of public authorities pressure on SBEs, obligatory consideration of public opinion, first and foremost, of business community; deregulation of SBEs economic activity, constant monitoring of the state and trends of small business development, including the monitoring of state support programs implementation, etc.

**Conclusion.** In a view of the above, it can be inferred that increasing employment with the aid of small business entities will prevent the risks posed by the intensification of migration processes in Ukraine, raise the use of social and labour potential of Ukrainians, create favorable conditions for repatriation<sup>17</sup> and contribute to the achievement of real implementation of legislative norms defined by the Strategy of State Migration Policy of Ukraine for the period up to 2025 [47], the Law of Ukraine "On External Labour Migration" [48] and the Law of Ukraine "On amendments to Certain Legislative Acts of Ukraine on State Policy, Labour Relations, Employment and Labour Migration" [49].

In turn, the implementation of facilitation and deregulation measures for small business entities economic activities is the key to improving their business conditions, which will indirectly have a positive impact on employment by increasing the number of hired employees and self-employed people.

<sup>17</sup> According to a study by the sociological group Rating, every second potential Ukrainian migrant worker is ready to invest the money earned in the development of their own business in Ukraine [46].

The analysis of regulatory and legal support showed that the list of measures planned by state institutions to facilitate and deregulate small business development in Ukraine is insufficient, unsatisfactory in terms of SBEs and needs significant refinement and improvement, in particular, in the areas of business stimulating on account of fiscal policy improvement, pressure reduction on SBEs by state supervision (control) bodies, further harmonization of current legislation in accordance with EU norms and standards, consideration in the implementation of public opinion reforms.

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