

Bulletin of Taras Shevchenko National University of Kyiv. Economics, 2016; 2(179): 29-32

UDC 334.722 (477)

JEL: L26

DOI: <http://dx.doi.org/10.17721/1728-2667.2016/179-2/4>

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STATE AID AS EFFECTIVE MECHANISM OF STATE REGULATION AND SUPPORT OF SMALL AND MEDIUM ENTREPRENEURSHIP

In the article there is analysed the main approaches to the definition of state aid, including made by EU regulatory documents such as, for example, the Treaty Establishing the European Community and the Treaty on the Functioning of the European Union. Also there is considered the role and importance of the state aid in ensuring the effective functioning of mechanism of state regulation and support of small and medium enterprises. There is studied the experience of state support in the form of state aid to a number of European countries and legislative regulation of state aid in Ukraine.

Keywords: entrepreneurship; state regulation; state aid, grants, tax allowance, subsidy.

Introduction. Under current conditions business is a key factor in the economic development of all developed countries. Owing to business, especially SMEs, there is achieved efficiency of existing industries and creation of new enterprises through the introduction of new technologies, contributing to increased demand for material and labour resources and the growth of new products market and, consequently, material welfare of the population. Therefore, entrepreneurship is recognized as one of the main factors of political and social stability of the society.

Modern economic policy recognizes not only the effectiveness of small business, but also need of the state and society to support its development, since the effective functioning of this economy sector provides a stable economic situation in the country, employment and welfare of citizens.

However, the current state of business indicates the presence of significant problems in it, including poor regulation of entrepreneurial activity by the state.

State regulation of business should enforce competition policy and, therefore, the regulation of business in modern conditions should be one of priorities of the state economic policy in Ukraine.

Therewith, it is necessary to agree with scientists who stress that in the event of assessment of the feasibility of government interference in the market functioning we should consider the goals of government regulation, as realistic goals that relate to government regulation often do not coincide with the declared objectives and reflect the interests of different groups of political impact [1, p. 4].

Thus, an important part of the mechanism of state regulation of business should be a system of its support and stimulation. Domestic business entities are characterized by insufficient of their own financial resources and floating capital. This limits their opportunities for business development and modernization of business processes.

The lack of own funds resulted low efficiency of domestic financial investment funds and limited capacity of small and medium enterprises [2, p. 51]. A comprehensive approach to this problem can be achieved through development of national and regional programs to support enterprises that would contribute to its development.

Methodology. Such domestic and foreign scientists as V. Geyets, Z. Varnaliy, T. Vasylytsiv, V. Sizonenko, I. Mazur, A. Pisapia, C. Buelens and others pay attention to study of state financial support of business entities. State aid policy helps to reduce disparities between the different regions and is therefore a factor for growth and stability, so supporting the less competitive regions as well as the small and medium enterprises.

The aim of the article is to study the basic methods of state support of business entities in Ukraine and the EU,

implementation of their comparative analysis, formulation of recommendations for improving the regulation of state aid in Ukraine considering the experience of the EU countries.

Results. The current system of support and stimulation of business activity includes the following elements: financial, material and technical, scientific and technical support and assistance in development of infrastructure and state regulatory policy [3].

The main forms and methods of state finance and investment support of business development are: governmental grants, subsidies, subventions; state and local orderings; loans and guarantees of state and regional authorities; financial support of national funds and regional financial institutions; promoting entrepreneurship development. Having targeted and privileged character, government lending of business holds a special place among the financial instruments. The above enumerated financial instruments are nothing else than state aid.

The issue of state aid granting in the EU legislation is formulated in the Treaty Establishing the European Community [4]. In particular, articles 87, 88, 89 contain the basic state aid provisions. Thus, it should be noted that the main provisions of articles 107 and 108 of the Treaty on the Functioning of the European Union [5] consider state aid (depending on its nature (at the cost of state) and its consequences – creation of selective advantage combined with excessive or unacceptable effect on trade and competition) incompatible with the common market, that is, essentially prohibiting its granting. However, sometimes it is profitable for the economy and supports growth and other political goals. So, regulatory system of EU state aid is aimed at ensuring that the state interventions do not affect competition and trade. These rules contain Provisions of the original Treaty Establishing the EU, which have remained virtually unchanged for many years, and the corresponding current provisions of articles 107-109 of the Treaty on the Functioning of the European Union, which entered into force in December 2009 [6].

State aid granting rules are designed to prevent the use of this support in cases that violate competition and free trade in the EU. So the EU legislation does not completely prohibit state aid, but studies in details and regulates its granting to minimize state effect on competition.

Thus, by definition of the European funding network, the term "state aid" refers to form of assistance at the cost of state financial resources used to support organizations or enterprises.

According to the EU legislation, the main criterion for determining state aid is a distortion of competition and effect on trade between Members of the EU, in other words, promotion of a certain economic activity by providing pref-

erences. In addition, the criteria for determining aid are to extent transfers of state funds, provide economic benefits and selectivity.

The EU legislation recognizes the negative effects of state aid on competition distortions and later negative impact on investment decisions, reducing incentives for entrepreneurship.

While the EU Treaty does not include a precise definition of what state aid constitutes, the EU Commission announced that it comprises:

- Grants
- Direct subsidies
- Tax allowances
- Preferential interest rates
- Loan guarantees
- Providing goods or services on favourable terms
- Payments against losses
- Contracts closed to tender.

The rules limit the support that the state sector can provide to NGOs working in the commercial or business environment. They do not apply across the whole industry, but where support may hinder fair competition with other companies.

However, the structural funds are considered national resources and, therefore, can be equated to state aid. It should be noted that in the cooperation with the European Structural Funds (ESF) it is also necessary to follow the rules of state aid granting in cases where it constitutes state aid [7].

Based on the aims of state aid granting, it is divided into horizontal and sectorial. Horizontal aid is generally directed to regional development, SMEs and is fairly accessible to all business entities in all or in many industries. Sectorial state aid is directed to an industry where there are certain structural problems, such as coal industry. Quite often among others EU countries apply direct state aid to support such industries.

It should be noted that state aid to small and medium enterprises is an important and often vital condition for the existence of the business. This is evidenced by the experience of state support of small and medium businesses in the world.

Thus, in Germany the government provides great support to SMEs through loans and subsidies. From the budget they grant preferential investment loans, especially in the development of high-tech industries, loans to create their own businesses. Loans are issued to enterprises not directly but through their banks that provide money back guarantees. State support for small business is aimed primarily at ensuring its financial independence. The federal program subsidizing SMEs has a special section of help for improvement of interest of equity funds, which amounted to about 30% of all subsidies [8].

In Italy there is developed a system of state financial support to small business through subsidies and preferential loans of certain areas of small business and cooperatives and consortiums that bring together small enterprises.

State aid can be provided to support a wide range of activities, including research and development, environmental protection and help to small and medium businesses. State aid provides good support necessary to achieve growth and other important goals [9].

Under the main provisions of the European funding network it is possible to determine state aid considering the following four questions before making a decision to refuse from state aid, such as:

- aid is provided directly by the state or through state resources;
- aid provides selective advantage to the enterprise ("Enterprise" in this context is an entity that is engaged into economic activity, with the charity or public benefit organization receives resources);
- aid violates or may potentially violate competition;
- aid influence the trade between EU members [7].

In the EU Commission there are a number of rules and principles that provide guidance on how "enterprises" (subjects which carry out economic activity) may get support from state resources and, therefore, are not subject to state aid rules.

Also, it should be noted that for support of small and medium-sized enterprises (hereinafter – SMEs), member states may use different tools that are not considered state aid, such as measures of general support which may include general reduction in the taxation of wages and social spending, boosting investment in general education and training, measures to provide guidance and counselling, general assistance and training for the unemployed and improvements in labour law are not a state aid and therefore can be immediately implemented by member states. Some of the measures contained in the Small Business Act, such as reducing delays in payments to improve cash flow of SMEs or proposal of the EU Commission that small businesses should be exempt from excessive burdens on accounting rules and statistical reporting also do not entail a state aid.

SMEs are eligible for all aid categories allowed under the EU State Aid Rules and for those categories of aid measures that can also be granted to large enterprises, so SMEs benefit from a larger volume of aid [10, p.4].

In particular, there are set clear conditions for granting state aid to SMEs, namely:

- The maximum level of aid defined by the rule of minimal aid amounts to EUR 200 000 (cash grant equivalent) over a three-year financial period.
- The maximum level of aid will be applied to the total sum of all state aid, which is considered a minimal aid. This will not affect the ability of the recipient to receive other state aid under schemes approved by the EU Commission, without prejudice to the cumulation rule described below.
- The maximum level of aid will be used to all types of aid, regardless of the form it takes or the objective it pursues. The only type of aid which is excluded from the rule of minimal aid – export aid.

This regulation only refers to "transparent" forms of aid which means aid for which it is possible to determine in advance the gross cash equivalent without the need to carry out risk assessment [10, p.8].

Ukraine also has considerable experience in providing state aid to enterprises and organizations, although for a long time this process did not meet the standards above and which European countries obey. Lack of state aid control has always been a weakness of the public finance management and led to the use of selective state support to certain enterprises, which, in its turn, distorted competition. Due to more rational allocation of scant budgetary resources it is necessary to ensure transparency and develop modern regulation in the field of state aid.

In Ukraine, state support in the form of guarantees, tax allowances and other preferences often was provided only to certain large enterprises, large capital. Thus, an example of different types of state support that was given to a group of companies Activ Solar to build solar power plants is exemplary. In 2010 this group of companies received a loan

in the state bank (458 million EUR), paid interest on the loan due to the aid from the state budget (200 million UAH), brought from abroad exempt from customs duties and VAT equipment for building solar power plants, received a state subsidized lease of several hundreds of hectares of land, and lobbied for the adoption of the necessary legislation, everything that completely monopolized the Ukrainian market. In fact, Activ Solar received state aid for the development of the business and with that monopolized market that precluded the emergence of any competition, even in the future [11].

Therefore, recently Ukrainian legislators are more often turning to international experience and have adopted a number of regulations that should help to order the provision and establishment of appropriate monitoring and control of state aid.

One of the basic Laws that on legislative level determines not only the purposes and principles of the state policy in the sphere of small and medium enterprises, but also its main directions is the Law of Ukraine "On the development and state support of small and medium enterprises" dated 19 April 2012 [12]. According to this Law, among the main directions of state policy there is to ensure financial state support to SMEs by implementing government programs of lending, guarantees for loans and others.

According to Article 15 of the above Law, legislatively fixed types of state support include: financial, informational, consultative support, including support in the sphere of innovations, science and industrial production, support to small and medium enterprises engaged in export activities and other.

Among certain types of the financial support that the state plans to provide through their competent authorities, should be highlighted: partial compensation of interest rates on loans, leasing and factoring payments; provision of guarantee and security for a loans; loans (microcredits) for creation and conduct of business etc. (p. 2, Art. 16 of the Law).

Also, on July 1, 2014 the Verkhovna Rada of Ukraine adopted the Law "On state aid to economic entities" [13] (hereinafter – the Law on state aid), which sets the legal basis of the monitoring of state aid to business entities, control of the admissibility of such aid for competition aimed at protecting and developing competition, enhancement of transparency of the state aid system functioning and compliance with the international obligations of Ukraine in the sphere of state aid.

This law was designed with the participation of the EU Project "Harmonisation of Public Procurement System of Ukraine with EU Standards" and is working to ensure the support of development in Ukraine the system of public procurement and state aid system in accordance with EU standards.

Thus, art. 4 of the Law on state aid includes a list of financial instruments referred to financial aid. It should also be added that state aid can take many different forms, not just loan, tax allowances, grants but also use of state property without payment or at a price below the market, that is, in fact, are certain privileges that the company can get through state participation.

We know that the main driver of business in the modern market system is competition. Due to competition overall efficiency of business activities is achieved. Thus, the competition promotes productive business, creates motivation for reduction of production costs, updating product, looking for new forms of customer satisfaction.

However, state aid is the economic intervention, during which public resources are used to support certain individual entities. Poorly controlled state aid can be devastating for businesses and entire industries, as well as for important economic programs.

In economic literature, for example, there exists the following opinion concerning state aid that since in the Ukrainian budget funds allocated for the development of entrepreneurship are limited, the state bodies must not carry out financial functions to support some small and medium enterprises, but only have to perform insurance functions, guarantee and create favorable legal, informational conditions for nonstate financial institutions for enterprise development [1, p.9].

Accordingly, the Law on state aid should ensure transparency of state aid, as state bodies (or entities acting on their behalf) that provide state aid must report on their intentions to Antimonopoly Committee of Ukraine, which, in its turn, should ensure equal competitive possibilities for all business entities in the market and establish whether such state aid is compatible with the competition rules in accordance with the provisions of section 2 of this document.

Conclusions & Discussion. Accordingly, it can be concluded that, as every country (including all EU and WTO) to more or less extent provides support for economic activity (that is support to industrial sectors, certain companies, regional development, innovations, investments, trade development, small businesses, and key industries such as transport, agriculture and defense industry) by introducing a variety of instruments, including subsidies, tax allowances and other measures, the rejection of such financial instruments of policy of state support of small and medium businesses in Ukraine is not reasonable. But it is important to remember that state aid is not an effective tool in terms of fostering economic growth or investment, only both economic freedom and political stability have a positive and statistically significant effect on investment. Furthermore, total state aid and state aid to industry and services may affect investment positively if the political environment is stable [14, p.1159].

However, state aid should be aimed at creating new production facilities, new working places, technologies, solutions of certain tasks, problems of socio-economic development that cannot be solved without receiving state aid. Characteristics of state aid (size, form and mechanism of granting) must correspond to the problem, the solution of which it is directed, that is, through state aid the recipient has to start, implement activities that would be impossible without state aid, or the possibility of this activity start is limited. Also, when considering the state aid the fact should be taken into account that state aid, for example, should not compensate for current outlays of business entities, especially those operating at a loss, and/or are in the process of bankruptcy.

For this purpose, it is necessary to create a clear, transparent and controllable mechanism for state aid granting to business entities in order to ensure fair competition in the market and taking into account international experience of small and medium businesses support.

The issue needs further research, taking into account European integration and harmonization of Ukrainian standards with EU requirements.

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Надійшла до редколегії 15.01.2016

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ДЕРЖАВНА ДОПОМОГА ЯК ДІЄВИЙ МЕХАНІЗМ ДЕРЖАВНОГО РЕГУЛЮВАННЯ І ПІДТРИМКИ МАЛОГО І СЕРЕДНЬОГО БІЗНЕСУ

У статті проаналізовано основні підходи до визначення державної допомоги, зокрема нормативними документами Європейського Союзу такими як, наприклад, Договір про Заснування Європейського Співтовариства та Договір про функціонування Європейського Союзу. Також проаналізовані роль і значення державної допомоги у забезпеченні ефективного функціонування механізму державного регулювання і підтримки малого і середнього бізнесу. Проаналізовано досвід державної підтримки у вигляді державної допомоги ряду європейських країн та законодавче врегулювання надання державної допомоги в Україні.

Ключові слова: підприємництво; державне регулювання; державна допомога, гранти, податкові пільги, субсидіювання.

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ГОСУДАРСТВЕННАЯ ПОМОЩЬ КАК ДЕЙСТВЕННЫЙ МЕХАНИЗМ ГОСУДАРСТВЕННОГО РЕГУЛИРОВАНИЯ И ПОДДЕРЖКИ МАЛОГО И СРЕДНЕГО БИЗНЕСА

В статье проанализированы основные подходы к определению государственной помощи, в частности нормативными документами Европейского Союза такими как, например, Договор о Создании Европейского Сообщества и Договор о функционировании Европейского Союза. Также проанализированы роль и значение государственной помощи при обеспечении эффективного функционирования механизма государственного регулирования и поддержки малого и среднего бизнеса. Проанализирован опыт государственной поддержки в виде государственной помощи ряда европейских стран и законодательное урегулирование предоставления государственной помощи в Украине.

Ключові слова: підприємництво; державне регулювання; державна допомога, гранти, податкові пільги, субсидіювання.

Bulletin of Taras Shevchenko National University of Kyiv. Economics, 2016; 2(179): 32-38

УДК [330.4:338.5]:338.48

JEL D890; D400; L830

DOI: <http://dx.doi.org/10.17721/1728-2667.2016/179-2/5>

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TARGET CONTROLLING METHOD OF THE PRICING PROCESS IN THE TOURISM ENTERPRISES

Key stages of the pricing process in the tourism enterprises are investigated: subprocess of establishing of nominal value of the new tourism product price and subprocess of adjustment of the established price depending on a situation in the tourism market. For establishing of nominal value of the price it is offered by use of optimizing model, which maximizes the usefulness function of structural parts of the tourism product price. For adjustment of the tourism product price under change of external conditions procedure of installation of the target with use of the process behavior charts of the pricing process is applied.

The new methodology of the pricing process controlling in the tourism enterprises, which based on complex application of methods of the statistical processes control and a method of dynamic programming, is presented in article and fully considers one of key features of the tourism sphere – seasonal fluctuations of the tourism product price.

Keywords: tourism product; pricing process; process target; process behavior chart; method of dynamic programming.

Setting of the problem. Formation and establishing of the tourism product price is one of the major administrative decisions at the level of the tourism enterprise. The price is a main factor of formation of the consumers demand, his stabilization or growth [6, 7, 14, 20, 22]. Correctly created price policy, the proved, consistently realized price strategy

and tactics are necessary components of effective activity of the tourism enterprise. The price is a source of commercial success of the tourism enterprise, is reflected in volumes of realization of a tourism product, profitability and competitiveness, promotes successful activity of the enterprise in the tourism market.