

UDC 338.22(477:100)

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STATE FINANCIAL SUPPORT FOR SMALL BUSINESS DURING THE CORONAVIRUS CRISIS IN EUROPEAN COUNTRIES

Abstract. The aim of the conducted research is elaboration of conceptual statements and formulation of practical recommendations aimed at development of the methodological bases of state financial support for small business. On the basis of the existing theoretical statements, discovery of essential characteristics, peculiarities and systematisation of the obtained results of the research, conceptual approaches to interpretation of the features of state financial support for small business during the coronavirus crisis have been suggested. Small business is an important component of the economic system of any country. It ensures formation of the complex structure of the market for goods and services, development of efficient competition and promotes addressing the needs of consumers in conditions of formation of their sovereignty. State financial support for small business in European countries is at different stages of development. In the EU countries, financial policy of small business regulation is an example of state intervention in the mechanism of market self-regulation in order to solve social and economic problems by changing the economic behavior of small enterprises. The formational process, strategic priorities of state financial support for small business in European countries and macroeconomic instruments for its implementation during the coronavirus crisis have been studied. Changes in the concern of the world community in forms of state financial support for small business have been detected. A comparative and analytical examination of the instruments for macroeconomic financial regulation, which are being used during the COVID-19 pandemic in Europe, has been conducted. The research shows the importance of small business in terms of solving economic and social problems of social development, outlines the situation of state financial support in the EU countries in comparison with Ukrainian small enterprises, determines the general features and differences in state regulation of entrepreneurship. The practical significance of the obtained results consists in the fact that the main scientific statements of the article can be used in practice of state and regional management of small business.

Keywords: small business, state regulation, financial support, financial policy, coronavirus crisis.

JEL Classification H12, D21, E61

Formulas: 0; fig.: 2; tabl.: 1; bibl.: 12.

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ДЕРЖАВНА ФІНАНСОВА ПІДТРИМКА МАЛОГО БІЗНЕСУ ПІД ЧАС КОРОНАВІРУСНОЇ КРИЗИ В ЄВРОПЕЙСЬКИХ КРАЇНАХ

Анотація. Метою проведеного дослідження є розроблення концептуальних положень і формулювання практичних рекомендацій, спрямованих на розвиток методологічних засад державної фінансової підтримки малого бізнесу. На основі наявних теоретичних положень, виявлення сутнісних характеристик, особливостей, систематизації отриманих результатів дослідження запропоновано концептуальні підходи до інтерпретації особливостей державної фінансової підтримки малого бізнесу під час коронавірусної кризи. Малий бізнес є важливою складовою економічної системи будь-якої країни, забезпечує формування складної структури ринку товарів та послуг, розвиток ефективної конкуренції та сприяє кращому задоволенню потреб споживачів в умовах становлення їхнього суверенітету. Державна фінансова підтримка малого бізнесу в європейських країнах перебуває на різних стадіях розвитку. У країнах ЄС фінансова політика регулювання малого бізнесу є прикладом втручання держави в механізм саморегулювання ринку для реалізації конкретних цілей, виконання певних завдань і розв'язання соціально-економічних проблем шляхом зміни економічної поведінки малих підприємств. Досліджено формаційний процес і стратегічні пріоритети державної фінансової підтримки малого бізнесу в європейських країнах та макроекономічний інструментарій її реалізації під час коронавірусної кризи. Виявлено зміни зацікавленості світової спільноти формами державної фінансової підтримки малого бізнесу. Проведено порівняльно-аналітичний огляд інструментарію макроекономічного фінансового регулювання, що використовуються під час пандемії COVID-19 у Європі. Дослідження розкриває важливість малого бізнесу в розв'язанні економічних і соціальних проблем

суспільного розвитку, окреслює ситуацію державної фінансової підтримки у країнах ЄС порівняно з українськими малими підприємствами, визначає загальні риси та відмінності державного регулювання підприємництва. Практичне значення отриманих результатів полягає в тому, що основні наукові положення статті можна використовувати у практиці державного і регіонального управління малим бізнесом.

Ключові слова: малий бізнес, державне регулювання, фінансова підтримка, фінансова політика, коронавірусна криза.

Формул: 0; рис.: 2; табл.: 1; бібл.: 12.

Introduction. Small and medium-sized enterprises (SMEs) are reliably integrated into the Road Map of Europe. They are essential to Europe's competitiveness and prosperity. Moreover, they help governments to limit the impact of monopolies and create balanced economic policies for large corporations. Europe's 25 million SMEs are the backbone of the EU economy. They employ around 100 million people, account for more than half of Europe's GDP and play a key role in adding value in every sector of the economy [1]. However, the COVID-19 pandemic became a shock for SMEs in 2020. As a result of spreading of the crises and implementation of restrictions in different European countries, tourism agencies, travel bureaus, restaurants, hotels, fitness centers, cultural and recreational institutions were most affected. In many spheres, particularly trade, tourism, transport organization, resort and recreation, there began destabilising processes in small business, which are causing a destructive multiplicative effect of the «avalanche» type: reduction of income, investments and employment, decrease of solvency and financial stability of firms [2]. It should be noted that in the conditions of prolonged stay in the financial crisis, the risks of restructuring, suspending the functioning and liquidation of enterprises will increase [3]. This requires unification of national and international institutions and taking into account the positive foreign experience of state financial support for small and medium businesses in different countries.

Literature review and the problem statement. A lot of modern scientists' studies deal with the research of small business financial support in different countries, its development peculiarities and permanent functioning models. Some aspects of evolution of state financial support for small business are considered in scientific works of E. Ughetto, M. Cowling & N. Lee (Regional and Spatial Issues in the Financing of Small and Medium-Sized Enterprises and New Ventures) [4], S. Volosovich & O. Apostolyuk (Institutional Modernization of State Financial Support of the Small Business) [5], M. Adamczyk, A. Betlej, J. Gondek & A. Ohotina (Technology and Sustainable Development) [6], J. Kudelko (Regional Differences in Economic and Social Development) [7], Іu. Umantsiv & O. Ishchenko (Banking sector and economy of CEE countries) [8] and other researchers.

Recognizing the undeniable scientific and practical significance of previous research, we believe that, taking into account the destabilising processes caused by the COVID-19 pandemic, the issues of state financial support for small business in European countries remain unsolved and require separate research at both theoretical and methodological levels. It is necessary to deepen the research of modification of small business state financial support in European countries, its models and forms, paying attention to the high volatility and the rapid development of crisis processes. At the same time, existing scientific studies do not fully cover the features of state financial support for small business in European countries, including the formation of disproportions in its functioning. Therefore, determination of the real scale of this trend and development of proposals for possible ways to counteract its intensification is a timely and important aspect of our study.

Methodology and research methods. The main scientific results presented in this publication have been obtained using general and special methods of cognition: systematic analysis and synthesis (study of the SMEs structure and its modification); retrospective analysis (study of transformational processes); methods of statistical, financial, factor analysis (assessment of structural changes); the program-target method (consideration of instruments and practice of financial regulation of SMEs).

Research results. The concept «coronavirus crisis», which is used in this work for studying the financial support for small business in European countries during the COVID-19 pandemic,

indicates the abrupt and lingering deterioration of economic conjuncture, which is reflected in the significant decline of business activity, distortion of economic relations, bankruptcy, increase of the unemployment rate and decrease of living standards, causing the necessity of active government involvement, particularly state financial support for SMEs. The coronavirus crisis is a threat to people and business, which changes the economic behaviour of consumers, producers, countries and public institutions. At the public level, it requires adequate assessment of conjuncture, usage of corresponding macroeconomic instruments for neutralisation of destabilising factors of the COVID-19 pandemic, active and consolidated forms of state financial intervention.

In spite of the continuous economic and political challenges Ukraine is facing, the country has achieved significant success in implementation of reforms in such spheres as public procurement, deregulation, harmonisation with the EU *acquis* and bankruptcy procedures, as well as improvement of its institutional and regulatory framework for SME policy. The further steps Ukraine should take is ensurance of the sustainability of its institutional and regulatory framework for SME policy, increase of deregulation efforts and creation of level playing field conditions for SMEs. For the countries of the EU, the Small Business Act is the legislative basis for state regulation and financial support for small business. Determining the central role of small business in the EU economy, the Small Business Act stimulated the introduction of a large number of support programmes for small business development and became a real base for entrepreneurial activity [9—11].

Small business state financial support worldwide system is a priority for the small business development and has two types: a single government entity creation that coordinates support for the small business development and without creating a single government entity. In this case, its functions are distributed among several state structures and successfully implemented if the tradition of fair entrepreneurship dominates in this country. In the EU, the state financial policy for small business support is mainly implemented through the small business indirect financing, but in some cases, direct state grants may also be provided. Financing is done indirectly through the structural funds. The financing procedure is carried out through such financial intermediaries as banks and other lending institutions or investment funds (*Fig. 1*).

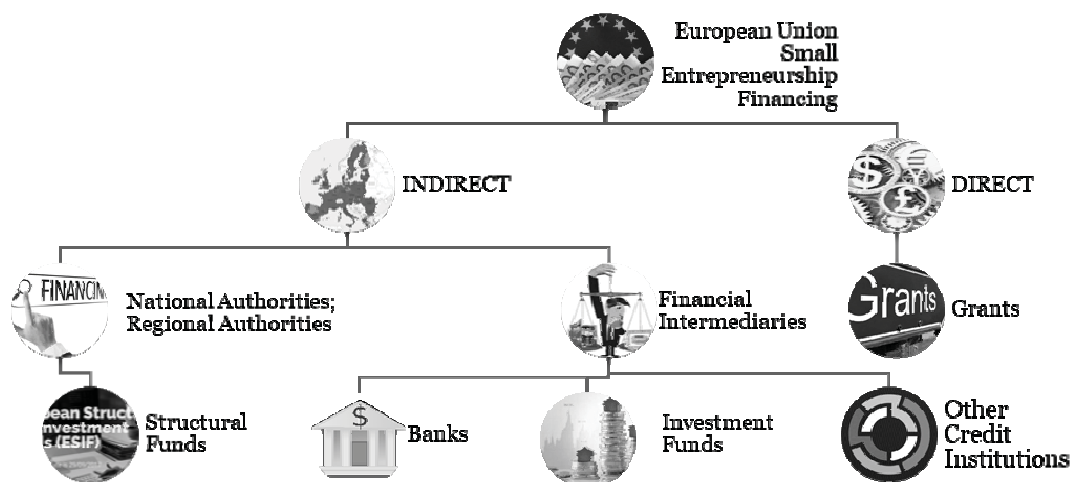


Fig. 1. Methods of financial support for small enterprises in the EU countries

Source: The figure has been built at the axiomatic level based on studying the sources of information [1; 12].

Ensuring the implementation of effective state financial policy for small business support is a long and financially costly process. Small business financial support models and forms study in the EU countries will allow Eastern European countries to significantly improve their own system for small business support.

An important modern direction of state regulation of small business in European countries is development and implementation of anti-crisis measures during the struggle against the COVID-19 pandemic. In this context, the concern of the world community in the issue of state financial support for small business rose significantly in 2020 (*Fig. 2*).



Fig. 2. Changes in the world community’s concern in forms of state financial support for small business

Source: To build this diagram, the authors have used data received from Google Trends.

Results of such search queries as «state financial support for small businesses», «stimulus for small businesses», «COVID loans for small businesses», «financial help for small businesses during coronavirus», and «COVID grants for small businesses» within the global search engine Google confirm the increase of the need for new forms of state support for small business.

Given the specific conjuncture SMEs are currently facing, countries have taken various measures to support them financially. Such state policies in European countries take various shapes and use a certain set of macroeconomic instruments for neutralisation of the coronavirus crisis (Table).

Table

Instruments for Macroeconomic Financial Regulation of SMEs that are Being Used During the COVID-19 Pandemic in Europe

Countries	Macroeconomic instruments for overcoming the coronavirus crisis													
	Labour			Defferal					Financial instruments			Structural policies		
	(Partial) redundancies	Wage subsidies	Self-employment	Income / corporate tax	Value Added Tax (VAT)	Social security and pension	Rent / utilities / local tax	Debt moratorium	Loan guarantees	Direct lending to SMEs	Grants and subsidies	New markets	Teleworking / digitalization	Innovation
Austria														
Belgium														
Croatia														
Czech Republic														
Denmark														
Estonia														
Finland														
France														
Germany														
Greece														
Hungary														
Iceland														
Ireland														
Italy														

Table (continued)

Countries	Macroeconomic instruments for overcoming the coronavirus crisis													
	Labour			Defferal					Financial instruments			Structural policies		
	(Partial) redundancies	Wage subsidies	Self-employment	Income / corporate tax	Value Added Tax (VAT)	Social security and pension	Rent / utilities / local tax	Debt moratorium	Loan guarantees	Direct lending to SMEs	Grants and subsidies	New markets	Teleworking / digitalization	Innovation
Latvia														
Lithuania														
Luxembourg														
Netherland														
Norway														
Poland														
Romania														
Slovak Republic														
Slovenia														
Spain														
Sweden														
Switzerland														
Ukraine														
United Kingdom														

Source: To build this table, the authors have used their own expert data and information received from the source [12].

Table shows that, across European countries, the most widely used macroeconomic instruments in response to the coronavirus crisis are income and profit tax deferrals, loan guarantees and direct lending to SMEs, and wage subsidies. Structural policies have been used only modestly, with a focus on digitalization, although over time the number of countries setting up such policies has increased. The use of grants, debt moratorium and specific measures for the self-employed provide is mixed and highly differs across European countries.

Conclusions. Small business is essential for development of European economy, employment and competitiveness in different sectors of industry and services, so the EU is committed to maintaining an open and rules-based financial support for business of different countries. With the rising threat of asymmetry of small business development and weakened commitment of governments of individual countries to business process governance, the EU must take the lead by creating a business-friendly environment and stimulating effective competition in countries with low share of small business in the economy. Special attention is given to small enterprises' need for support. Promoting business is the key to economic recovery due to the consequences of the coronavirus crisis in European countries. A range of support instruments is deployed in the EU to help such SMEs deal with administrative and regulatory requirements and formalities, and to support their cross-border activities, access to finance, etc.

Therefore, small business is an important part of the national economies of developed countries, providing them with social and economic stability and development, employment, innovation. A significant contribution of the small entrepreneurship sector to the economies of developed countries is provided by a favourable economic environment, that is, the business climate. The small business state financial support policy system is the most important and priority force for development and competitiveness of small entrepreneurship.

Prospective directions of further research should include the actual problems of assessment of the efficiency of financial support for small business from European, national and regional funds of financial resources.

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Статтю рекомендовано до друку 06.04.2021 © Гуменюк В. В., Уманців Ю. М., Длігач А. О., Іванова Н. С., Уманців Г. В.

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The article is recommended for printing 06.04.2021

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