

Kyiv National University of Trade and Economics
The Department of World Economy

FINAL QUALIFYING PAPER (PROJECT)

on the topic:

**« INTERNATIONAL ECONOMIC ACTIVITY OF
SMALL ENTERPRISES OF UKRAINE »**
(based on the data of “Antyp” LLC, Kyiv)

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INTRODUCTION

The relevance of the topic is that small and medium-sized enterprises (SMEs) play a significant role in the economic development. The involvement of SMEs in the international economic activity is a crucial issue, especially for the countries with transit economy, as it boosts the economic development and helps to enlarge the national wealth. In Ukraine SMEs face lots of obstacles for the integration to the international economic activity, that is why it is important to consider this topic, analyse the situation and to compare with the foreign experience.

Analysis of the level of development of the topic. The involvement of SMEs into international economic activity were analysed by different domestic and foreign scientists. The theoretical aspects of SMEs internationalisation were researched by Dominguez and Mayrhofer (2017), in particular the stages of internationalisation level. Mattino (2015) contributed to the theoretical study of SMEs internationalisation as well. Besides, the OECD experts investigated SMEs globalisation level and its indicators. Thus, five main stages for SMEs internationalisation were defined in the scientific researches. Rua, Franca and Fernandez (2018) summarised key drivers of SMEs export. They found out that the exporting companies were more successful on the market, than those which were not engaged into foreign economic activity. Lee and Liu (2018) researched the main competitive advantages of exporting enterprises.

The European Commission, World Bank and G20 Forum investigated the involvement of SMEs into international economic activity, using world data, SMEs impact on the international markets and through countries' comparison.

Burakovsky, Krinitsyn and Sologub (2016) researched the issue about the export promotion of SMEs in Ukraine, the policy of government and international practice. Yevtushenko (2019) stated one of the main problems for SMEs involvement into international economic activity – the problem with financing for SMEs. Voloshyn (2019) studied features of international competitiveness of Ukrainian SMEs, and Vyshlinsky (2019) compared the competitiveness of Ukrainian SME sector to the German one, using data and analysing the main features. Tyshchenko (2019) stated that the main competitive

advantage of SMEs should be its innovative activity. Pokryshka (2018) researched the development of SMEs as a factor of compensation of losses of Ukraine on traditional external markets. Malyarets (2018) stated the need for the governmental support for conducting the export and import activity by Ukrainian SMEs. Lisitsa and Stefaniuk (2019) researched the export potential of Ukrainian SMEs.

Considering everything mentioned above, the topic was widely researched, especially on the theoretical level. However, it can be concluded that Ukrainian SMEs are not involved enough into international economic activity on the practice. It means that the solutions for the issues are not developed enough, especially on the micro level. Therefore, in the final qualifying paper measures for increasing the involvement into international economic activity of Ukraine by small enterprises are presented. The SME sector of Ukraine is analysed and compared to the world one on the macro level, and for the micro level the “Antyp” LLC is chosen to present the possible measures and estimate their effectiveness.

The purpose of the final qualifying paper is to analyse the involvement of small enterprises into international economic activity of Ukraine and suggest measures for increasing of small enterprises’ involvement on the basis of “Antyp” LLC.

According to the purpose, the following **objectives** were set:

- to identify the international economic activity of small enterprises from the theoretical point of view;
- to analyse small enterprises international economic activity (Ukrainian and world practice);
- to research the internal and external environment of “Antyp” LLC;
- to estimate the level of international competitiveness of small enterprises in Ukraine on the basis of “Antyp” LLC;
- to develop a complex of measures to increase the involvement of small enterprises in the international economic activity of Ukraine on the basis of “Antyp” LLC;
- to estimate the effectiveness of the proposed measures.

The object of research is the process of foreign economic activity of small enterprises of Ukraine. **The subject** of research is the theoretical and practical aspects of justification of external and internal factors that influence “Antyp” LLC activity.

Research methods. Different scientific and economic methods and models were used in the project. The scientific methods, used during the research, can be divided into general scientific methods applied in theoretical part and specific scientific methods applied in the practical part of the study. The former methods are synthesis and analysis, induction and deduction, literature review, which were used to understand the essence, main features of the object and to draw conclusions. The latter methods are interview and questionnaire used for gathering information about the enterprise, comparative and historical methods used for analysing current state with the past, statistical and mathematical methods used for estimating financial indicators and effectiveness, and extrapolation method used for forecasting the future state of the enterprise.

The scientific novelty stems from the summarising, analysis and comparison of the scientific works of foreign and domestic scientists. The main key points of scientific researches were defined and used for the practical implementation for the small enterprises of Ukraine on the example of “Antyp” LLC.

The practical novelty is in the development of complex of measure for small enterprises to increase the level of their internationalisation, and estimation their effectiveness on the example of “Antyp” LLC.

Approbation and utilization of research results: article “Small and medium enterprises in international economic activity” in collection of scientific articles “International economics”, KNUTE, Kyiv, 2020.

Structure and volume of the final qualifying paper. The project consists of an introduction, three parts, general conclusions, references and appendices. The study materials are presented on 88 sheets, in 21 tables, in 5 figures and in 18 appendices. The list of used references contains 51 names.

In the first part we research the theoretical approaches to SMEs internationalisation, analyse SMEs sector in Ukraine and comparing it to the world

practice. As a result, the defining of current level of small enterprises involvement into international economic activity of Ukraine.

In the second part the external and internal environment of “Antyp” LLC were analysed. The internal environment was researched on the basis of company’s financial statements analysis. The beer market of Ukraine was described and compared to EU countries with similar volume of beer production. The summarised analysis of enterprise was represented in SWOT and PEST matrix.

In the third part, problems of SMEs sector involvement into international economic activity were defined and proposed measures to solve them. Solutions were provided on macro and micro level. On the micro level enterprise was proposed to boost its efficiency and increase the involvement into international economic activity due to import operation from a new market. The financial indicators from such an operation were forecasted.

The conclusions and recommendations part summarise research and outline the topic of the final qualifying paper.

PART 1

INVOLVEMENT OF SMALL ENTERPRISES IN INTERNATIONAL ECONOMIC ACTIVITY OF UKRAINE

1.1. Theoretical approaches to the identification of international economic activity of small enterprises

The main object of the research is small enterprise. The definition of small enterprise is included into definition of SMEs (small and medium sized enterprises). SMEs are enterprises which keep their revenues, assets or a number of employees below a certain threshold. There are some size requirements that must be met and the market in which the business works is also taken into account. Every country has its own concept of what a SME constitutes (table 1.1).

Table 1.1

The classification of SMEs in different countries

Country	Type	Criteria
EU	Medium-sized enterprises	< 250 employees and annual turnover \leq 50 million euro or total balance < 43 million euro
	Small enterprises	< 50 employees and annual turnover \leq 10 million euro or total balance \leq 10 million euro
	Microenterprises	< 10 employees and annual turnover \leq 2 million euro or total balance \leq 2 million euro
USA	Small enterprises	< 500 employees
	Microenterprises	5 employees
Ukraine	Large enterprises	\geq 250 employees and annual income \geq 50 million euro
	Medium-sized enterprises	Companies that by criteria cannot be classified as small or large enterprises
	Small enterprises	\leq 50 employees and annual income \leq 10 million euro
	Microenterprises	\leq 10 employees and annual income \leq 2 million euro

Source: author, based on CCU § 3 (55); EC, 2019; US SBA, 2020

According to the table 1.1 it is seen that the key criteria for classifying SMEs differs slightly. The common criteria for enterprises division in different countries is number of employees. In Ukraine the annual income is also considered for classifying SMEs, for EU countries it is annual turnover or total balance, and in USA only number of employees is taken into account.

SMEs are involved into international economic activity as well as large enterprises. The internationalisation of SMEs appears when enterprises gain certain level of competitiveness. Globalisation of the economy and close economic links imply the presence of competitiveness of enterprises for successful operations outside the national market. Mattino (2015) researched the process of internationalisation as an interaction between successive development knowledge of foreign markets and gradual involvement resources for international markets. It is distinguished 2 aspects of the process: dynamic and static. The dynamic aspect means the scenario when resources influence the decision, like making process time and type of activities that will be carried out by the enterprise. The static scenario assumes the allocation of resources to international markets, so the company will increase level of its internationalisation in direct dependence with increasing knowledge of international markets (Mattino, 2015).

An exporting business must gain unique advantages that inherently need to be important and uncommon in order to be competitive in international markets. More precisely, in order to determine the longevity of a company's competitive advantage, four parameters were suggested, namely: resilience, transparency, transferability and replicability (Lee & Liu, 2018). Empirical studies show that exporting companies are more productive than companies that operate only in the national market. There are two points of view in the scientific literature that explain the positive correlation between export activity and enterprise productivity: "Self-selection" and "Training through export" (Rua et al., 2018). "Self-selection" implies that only more productive enterprises can engage in export activities because they independently understand the benefits of internationalisation. In fact, this is an example of "ex-ante" approach to business analysis. "Learning by export" (as a kind of "learning by doing") provides that if the company carries out the trade process – it is accordingly aware of the possible positive effects of internationalisation (technical, managerial innovations). Accordingly, this knowledge affects choice of enterprise development strategy.

SMEs that entered the international market have several reasons for success and their advantages over a large innovative market. Firstly, SMEs stand closer to the consumer. Secondly, because of the small size they have opportunity to rebuild the

production program to the completely new needs for specialized and customized services. Thus, due to high flexibility the SMEs can rapidly response on the constantly changing environmental conditions. By that, they can find a profitable niche somewhere in a value chain. While the strength of large firms heavily relies on economies of scale, SMEs, if linked to groups, can benefit from economies of scope (Malyarets, 2018).

From a global perspective, one can assume that SMEs comparative advantages originate in the periphery rather than in the core of production. With respect to vertical integration, they may carry out some stages of manufacturing as supplier, assembler, refiner or customizer, or they may fulfil some functions in the distribution system. With the respect to horizontal integration they may demonstrate their competence in research and development, in marketing, financing and insurance or other service activities. It is important to note that SMEs not directly involved in cross–border operations can also be an integral part of an export chain. In order to operate successfully in the context of an export chain, SMEs have to define the scope of their activity (Voloshyn, 2019).

SMEs have to decide upon three strategic dimensions: the degree of integration, the degree of specialisation and the degree of internationalisation (fig. 1). Usually a high level of vertical integration also requires a high level of specialisation in order to create competence. And a high level of internationalisation is frequently attainable for SMEs only by a high level of integration (Pham et al., 2017).

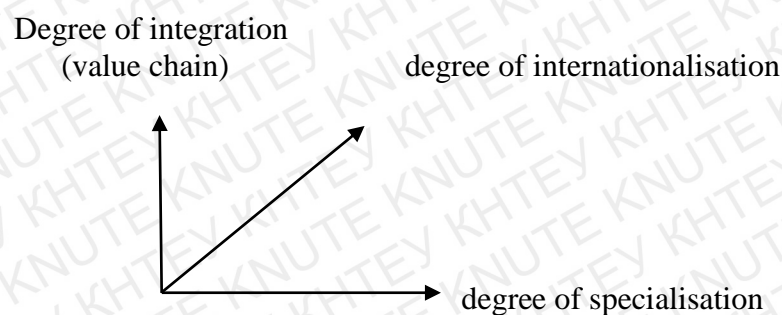


Figure 1.1. Strategic dimensions for SMEs in the export chain

Source: Pham et al., 2017

As a rule, SMEs start their operations on the national markets. Only in the process of growth and expansion they begin to operate internationally, too. Considering one of the five–stages model of internationalisation, we can see that it describes the SMEs development from a non–exporter to a heavily committed exporter (table 1.2).

Table 1.2

Five–Stage Internationalisation Model for SMEs

Stage	Degree of involvement	Type of exporter	Characteristic indications
1	No involvement abroad	Home market oriented non–exporters	No export and no thought of exporting
2	Pre–involvement	Non–exporters interested in markets abroad	No export but ready to start exporting in the near future
3	Reactive involvement	Reactive or experimental exporters with some potential exports	Products offered primarily on the home market. Only a few (psychologically close) foreign markets involved. Few foreign operations other than export
4	Active involvement	Active exporters	Increasing number of foreign markets involved with various kinds of foreign operations
5	Committed involvement	Heavily committed exporters	Many foreign markets involved. Alternative forms of foreign operation normal business practice

Source: Dominguez & Mayrhofer, 2017

In this model the international involvement begins with some reactive or experimental exports: the SME offers goods in foreign markets primarily produced for the home market. Gradually, it becomes an active exporter and starts other kinds of operations in foreign markets. In the final stage international activities are an integral and permanent part of its business. Thus, it creates the committed involvement of SME into internationalisation process.

Another approach to identify the extent to which SMEs are internationalized or globalized was made by OECD (table 1.3). This approach also contains five stages of SMEs internationalisation and describes in details its involvement into globalisation processes.

The OECD approach, which uses a five–point scale, includes three dimensions which seem relevant for measuring the global activities of SMEs: the proportion of outputs and inputs that are traded across boundaries (either directly or indirectly); the number of establishments in foreign countries; the number and range of regions which the firm regards as its markets and the competitive threats. For SMEs it is a long way full of obstacles to reach the fully globalized stage. The final stage is characterized by market

presence of SMEs in all major international regions, and rivalry that is likely to occur or come from any international country.

Table 1.3

Index of globalisation for SMEs

Index	Degree of involvement	Traded inputs and outputs	Establishments and affiliations	Market opportunities and competition
1	No globalisation “domestic”	All inputs sourced from local area, all outputs sold in local area	Single establishments or affiliations outside local area	No market outside local area, no potential competition from outside local area
2	Limited globalisation “mainly domestic”	<10% of inputs sourced across borders, and <10% revenue from across borders, usually within a limited span of nations	At least one establishment or affiliate outside local area and outside national area	Barriers to entry to outside markets and to local market (for competitors) are significant and amount to more than 50% of costs
3	Major globalisation “internationalized”	>40% of inputs sourced internationally, and >10% but <40% of revenue from across borders, usually across two major international regions	Establishments or close affiliates in at least 4 different nations and in two major international regions (e.g, Europe, North America, Asia)	Barriers to entry are noticeable, make up to 10% cost disadvantage, but can be overcome fairly easily
4	Extensive “globalized”	>40% of inputs sourced internationally, >40% of revenue from outputs traded across borders, across all major international regions	Establishments or close affiliates in at least one country in all three major international regions	Barriers to entry to international markets are not a significant impediment for firm or competitors, make up less than 5% cost disadvantage
5	Complete “fully globalized”	Majority of inputs of any establishment sourced across borders, large majority of outputs traded across borders	Multiple establishments or affiliates in many countries and in all major international regions	Markets in all major international regions, competition likely to be present or come from any international region

Source: OECD, 2015

Considering the theory about SMEs involvement in the international economic activity, we can conclude that SMEs in Ukraine are usually stuck on the 1–3 stages, and cannot involve fully on the international markets. The SME Development Strategy indicates that only 5,9% are Ukrainian SMEs export their products (World Bank

Enterprise Survey, 2019). However, according to the table 2 most of Ukrainian SMEs are placed on the second stage with planning to be engaged in the international economic activity in the nearest future. Besides, there is a big potential for Ukrainian SMEs to increase their international economic activity due to the trade agreements, in particular the Association Agreement between Ukraine and the European Union.

In general, we can distinguish the following theoretical advantages from internationalisation of SMEs:

- 1) expands activities at the international level (opportunities to choose suppliers of intermediate components of goods or services);
- 2) creation of production / sales / trade (divisions in foreign markets will expand the sales network of enterprises and may reduce production costs);
- 3) sales in foreign markets will allow SMEs to use the effect of scale;
- 4) regional diversification of SME incomes will become more stable in financial activities;
- 5) activity in the international market, international competition will stimulate the constant source (product development and implementation of various types of innovations);
- 6) in the implementation of the innovation process, internationalized SMEs have the opportunity to attract foreign experience in their activities.

1.2. Small enterprises in the international economic activity

Small and medium-sized enterprises (SMEs) are the basis of any national economy. An economy with a high proportion of powerful SMEs has several important benefits, such as inclusive, sustainable economic growth based on knowledge and innovation. SMEs are also more flexible and integrated into the community. SMEs play a significant role in economic and social aspect and ensure the sustainable economic development, they represent about 90% of businesses and more than 50% of employment worldwide. For example, in the OECD countries, 95% of all businesses it is SMEs who

create an average of 60 – 70% of jobs in these countries (OECD SME and Entrepreneurship Outlook, 2019). While considering the European Union countries, SMEs are the backbone of the economy. In 2017 99,8% of the SMEs operated in the EU were in non-financial business sector. They employed over 90 million people, accounting for 67% of the total employment in the EU non-financial business sector, and generating 57% of value additions in the EU non-financial business sector (EC, 2019). The growth and innovation potential of SMEs is decisive for the future prosperity of the EU.

Formal SMEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included. Furthermore, SMEs play important role in increasing the number of jobs and solving problems with working places, thereby mitigating the negative effects (structural and frictional unemployment) of scientific and technological progress and fluctuations in the market. According to the World Bank, 600 million jobs will be needed by 2030 to absorb the growing global workforce, which makes SME development a high priority for many governments around the world. In emerging markets, most formal jobs are generated by SMEs, which create 7 out of 10 jobs (World Bank, 2019). Moreover, SMEs make the impact on boosting the scientific and technological progress, especially in the electronics, cybernetics and computer science fields.

In Ukrainian economy SMEs play significant role, as they generate 61% of total revenue from the sale of products, works and services. Considering the labour market, almost 70% of employees in Ukraine work in SMEs. However, if to compare the revenues to GDP from SMEs in European Union countries, they make up 30–40% of GDP, and in Ukraine – from 7% to 9%. Furthermore, the number of SMEs in Ukraine is much higher than large enterprises, but due to the economy of scale and monopolistic position in the market, 90% of revenues to GDP are generated by large enterprises. Analysing the international economic activity, SMEs in Ukraine are not involved on the international market that much as in countries with the developed economy (World Bank, 2019).

National statistics of Ukraine do not predict making systematic observations on foreign economic activity SMEs. Some information on this can be obtained from surveys of businesses that were conducted by the World Bank (table 1.4). The World Bank

Enterprise Survey is a firm–level survey of a representative sample of an economy's private sector. The survey covers a broad range of business environment topics including access to finance, corruption, infrastructure, crime, competition, and performance measures. An important advantage of the survey is its wide coverage of small and medium–sized firms on the national level of particular country with comparisons of the world regions.

Table 1.4

Percentages of companies' engagement in the international trade in Ukraine, Europe & Central Asia and Low Middle Income countries in 2019

	Ukraine				Europe & Central Asia	Low Middle Income
	All firms	Small	Medium	Large		
Percent of firms exporting directly (at least 10% of sales)	10,5	6,3	13,2	30,2	15,5	10,3
Percent of firms exporting directly or indirectly (at least 10% of sales)	15,0	8,5	19,9	41,4	20,3	15,0
Days to clear imports from customs*	5,9	8,6	4,4	6,0	5,8	12,3
Percent of firms using material inputs and/or supplies of foreign origin*	74,4	69,0	81,3	78,6	66,3	56,1

* – These indicators are computed only for the manufacturing sector

Source: World Bank Enterprise Survey, 2019

This data shows rather low level of export activity of the SME sector in Ukraine. Among SMEs there is a share of exporters significantly lower than large enterprises. As, large enterprise exported 41,4%, small only 8,5% and 19,9% medium–sized enterprises. So, SMEs were present in the external sector market less than large–sized enterprises. As a consequence, the export orientation of SMEs is much lower than that of large ones. Therefore, in Ukraine SMEs are not strongly involved in the international economic activity.

For instance, in USA SMEs play significant role. According to estimates of the Small Business Administration, in 2018 small enterprises provided 48% of people employed in the private sector, they accounted for 97,7% of the number of exporters in the country, about a third of the value of US exports. In some states the indicator is even higher. For example, in Texas SMEs account for 93% of the total amount of exporters, and SMEs provide about 38% of the total value of the state (US SBA, 2020). This situation can be explained by the US policy, as they provide the support for SMEs using the strategy oriented on boosting the SMEs export activity, considering the lack of resources, management skills, organisational and technical support. The strategy is accomplishing through different programs, for example: by providing direct loans to borrowers outside the country, giving the export guarantees, formation of favourable conditions for the extending of export oriented manufacturing basement, coping with the obstacles to access on the foreign markets, investigating the problems connected with the entering external markets by SMEs.

In order to identify clearly the situation of SMEs involvement in international economic activity in Ukraine, it is important to make a comparison with the country, where SMEs take active participation in the international markets. That is why here is described the main indicators of SMEs sector in Ukraine and in Germany, which nowadays one of the most developed economies in the world (table 1.5).

Table 1.5

Comparison between SMEs sector in Ukraine and Germany

	Absolute indicators, thousand		Relative indicators, per thousand persons	
	Ukraine	Germany	Ukraine	Germany
SMEs exporters	13,41	523,15	0,32	6,31
SMEs (without micro enterprises)	337,80	2 467,69	8,01	29,78
Microenterprise, sole proprietorships, self-employed	47,90	6 623,00	98,34	79,91
Economic active population	17 957,80	46 198,00	425,77	557,43
Population	42 178	82 877	X	X

Source: Vyshlinsky, 2019

From the table 1.5 it can be seen that the SME sector in Ukraine lags behind Germany not only in absolute indicators but also in relative, especially for small and

medium-sized exporters (whereas the relative number of SMEs and self-employed persons in Ukraine is actually higher than in Germany). The relative indicator of operating enterprises per thousand persons at a certain point in time indicates both the willingness and ability to run a business or be an entrepreneur. Although the structure of small and medium-sized enterprises and sole proprietorships in Ukraine is similar to that in Germany, the Ukrainian SME sector lacks the capacity and productivity that could ensure national or international success. In particular, Ukraine is significantly behind the number of small and medium-sized companies that successfully operate in international markets, as there are 13,41 thousand SMEs exporters in Ukraine and 523,15 thousand in Germany, considering the population there are 0,32 and 6,31 respectively.

Therefore, Ukrainian SMEs are not involved enough in the international economic activity. It is explained by the peculiarities of SMEs sector in Ukraine. Firstly, SMEs, as a rule, are located in big cities and the biggest percentage from the total turnover is from the trade, so it creates a disproportion of economic development. Secondly, SMEs are mostly presented on the local markets and do not have any intentions to start international activity, it happens because of lack of demand on the international market. Thirdly, currency regulation is a barrier to foreign trade for SMEs, as noted in interviews and polls by OECD and World Bank. Fourthly, scientific entrepreneurship and technology transfer are not fully utilized by university technology parks and science parks in their current forms. Moreover, the protection of intellectual property rights needs further improvement, especially in the area of copyright and property registration.

The SMEs sector in Germany has differences from the Ukrainian one, and several peculiarities explain that, as well as the success of German SMEs. For instance, most SMEs operate in business-to-business markets, more than half of the firms are located in rural areas. The biggest percentage of total turnover is from the construction and placement services sectors. Organizational integration of participants is involved in all stages of SME policy planning and implementation, which provides a synergy effect that aggregates clusters, management, government support programs and so on. Long-term stakeholder relationships enhance upstream initiatives and strengthen horizontal links and networks (chambers of commerce, confederations professional crafts, and so on), which

are now largely supported at the legislative level but have grown from self-organization in historical retrospect. Long-term mentoring traditions: a non-profit, Senior Expert organization supporting the business; consulting of managers of companies of students of vocational specialties; involvement of business in the educational process, etc. Multiple sources of innovation: in-house research units, technology transfer programs as a basis for cluster policy. There is a high level of protection of property rights in Germany. Also, there are characteristics that promote internationalisation, such as temporary work and academic mobility, big amount of migrants, especially among business owners and managers (Vyshlinsky, 2019). As the experience of Germany shows, the SMEs can be highly involved in the international economic activity and operate efficiently if the government removes numerous barriers that impede the development of domestic business at every stage – from micro to small and medium-sized enterprises.

Therefore, using the German experience Ukraine can follow some recommendations to boost the international activity of the SMEs sector. For instance, encouraging companies to develop their own brand, not limit to outsourcing. Encouraging expansion abroad through the establishment of subsidiaries while maintaining headquarters, research units and manufacturing in Ukraine. Further currency liberalization measures to facilitate export operations. Providing demand for workers and managers with a migration background and knowledge of foreign languages by promoting short-term academic and work mobility.

Conclusions to part 1

SMEs are important players on the market, and mostly they are presented only on the national markets. However, if SMEs gain certain level of competitiveness, which characterized by sufficient financial and material resources of enterprises, the high quality of offered goods or services, then SMEs could be present on the international market. The process of entering the international market of enterprise is called internationalisation. According to theoretical approaches there are usually five stages of companies' internationalisation or globalisation. Considering this approach, Ukrainian SMEs are mostly take place on 1–3 stages, not being fully internationalized. Comparing to German

SMEs sector, Ukrainian SMEs are not fully engaged into international trade and have much lower export share than German ones. It is explained by several reasons, as: economy disproportion because of SMEs location in big cities, the absence of desire of SMEs to enter the international markets, currency and tax regulations.

To sum up, SMEs are one of the key determinants of the development of national economies, they provide employment, innovations, create new sectors of the economy, and shape national competitiveness. Therefore, it is difficult to overestimate the involvement of small and medium-sized enterprises as a class of economic agents for the economic system of Ukraine. At the present stage, internationalisation is one of the main causes of SMEs activity. Providing the conditions for a successful internationalisation process not only contributes to increasing the level of competitiveness of small and medium-sized enterprises in Ukraine, but also creates a synergy effect to increase national competitiveness as a whole. The development of a competitive SME sector based on the German model can help Ukraine solve economic and social problems such as monopolization, unemployment and underdevelopment of some regions. This would contribute to a more inclusive and sustainable economic growth of Ukraine.

PART 2

ANALYSIS OF INTERNATIONAL ECONOMIC ACTIVITY OF SMALL ENTERPRISES IN UKRAINE

2.1. Diagnostics of the external and internal environment of “Antyp” LLC

Antyp Limited Liability Company was selected for the study as a small enterprise that is engaged into Ukrainian international economic activity. “Antyp” is a privately owned limited liability company (LLC). According to Law of Ukraine, LLC is a company that has a statutory fund, divided into shares, the size of which is determined by the constituent documents. “Antyp” LLC was chosen to study the involvement of small enterprises in the international economic activity of Ukraine, as the company conducts import operations from the Czech Republic and Lithuania for the further wholesale of goods, in particular beverages in Ukraine. Generalized information about the selected business entity is presented in table. 2.1:

Table 2.1

General information about the “Antyp” LLC

Legal entity status	Not in the process of termination
Date of registration	27.03.2007 (12 years)
Information on the governing bodies of the legal entity	General Meeting
Contact information	04074, Kyiv, street Novozabarska, bldg. 21 A, tel: 4624497
Type of activity	46.17 Agents involved in the sale of food, beverages and tobacco 46.34 Wholesale of beverages (basic) 46.39 Non-specialized wholesale of food, beverages and tobacco 46.90 Non-specialized wholesale trade 47.11 Retail sale in non-specialized stores with food, beverages or tobacco predominating 47.25 Retail sale of beverages in specialized stores 47.29 Retail sale of other food in specialized stores 52.10 Warehousing 52.29 Other supporting transport activities 63.99 Provision of other information services 73.20 Market research and public opinion polling
Form of ownership	Non-state property
The amount of the authorized capital	UAH 900 000,00

Source: author, based on YouControl data

“Antyp” LLC is the official distributor of regional producers of mineral waters, live beer, kvass and lemonade. The company has been providing its services on the Ukrainian market for 22 years. “Antyp” LLC was founded in 1997, although it started distributing in Kyiv in 2007. The history of company development began with the sale of products of the following breweries: Obolon, Podil Brewery, Desna Chernihiv Brewery (Chernihivske), Slavutych Beer Non–Alcoholic Plant, Kharkiv Rogan Brewery, Donetsk Brewery (Sarmat). Beer of the previously mentioned brands at that time was produced with classical technology, was not widespread outside the region in which it was produced and had a short shelf life (Antyp, 2020). Subsequently, some breweries, partners of “Antyp” LLC, changed the concepts and strategies of doing business. They refocused on selling large quantities of products, changing the technology of beer production to increase demand. The terms of cooperation with partners have also changed, as they have started to involve their own sales departments in the distribution of products. It is because of this situation in the Ukrainian beer market that “Antyp” LLC has changed its cooperation with certain partners and started looking for new ones in order to continue to provide consumers with high–quality “live” beer made using classic production technologies. Having experience with beer with short shelf life, researching and analysing the quality and taste characteristics of beer of small breweries from other regions of Ukraine and taking into account consumer feedback from those regions, enterprise decided to present their products in the beer market of Kyiv and Kyiv region. Therefore, “Antyp” LLC became the first enterprise to bring Berdychivske beer to the Kyiv market. This attempt was successful, moreover, beer, even without advertising, was rapidly advancing and had great demand and consumer commitment. Since then, “Antyp” LLC has been expanding its product range, thus establishing partnerships with other breweries. During its operating on the market, the company has significantly expanded its product range, including foreign brands, and began cooperating with the Czech brewer – Pardubicky Pivovara (JSC) and with the brewery in Lithuania – Vilnius Brewery (Vilniaus Alus).

“Antyp” LLC has become an official distributor of such brands as Berdychivske, Umanpivo, Opillya, Khmelpyvo, Rivne, Kalusky Brovar and others (appendix A). In

2013, “Antyp” LLC registered its own trademark “Honour of Brewer”, which today represents the best beers of regional breweries. “Antyp” LLC works in all sales segments: linear and national–network, VIP–retail, wholesale, HoReCa.

“Antyp” LLC carries out import operations with a brewery in the Czech Republic – Pardubicky Pivovara JSC and with a brewery in Lithuania – Vilniaus Alus Brewery. Import operations are the import of beer “Pardubicky”, “Pernstejn” and “Vilniaus Alus” to the territory of Ukraine for resale. The company imports beer (Czech Republic, Lithuania) and kvass (Lithuania), although its activities are represented by such commodity items as: mineral water and soft drinks. The general characteristic of geographical and commodity structure is given in table 2.2.

Table 2.2

**General characteristics of geographical and product structure
of “Antyp” LLC in 2015–2020**

#	Type of goods	Country of origin	Supplier
1.	Beer	Czech Republic	Pardubicky Pivovara
		Lithuania	Vilniaus Alus Brewery
		Ukraine	Berdychiv Brewery, Umanpyvo, Opillia, Khmelpivo, Rivne LTD, Europe–2014, Slavutych Brewery, Kalush Brovar Distribution, Dimiors
2.	Kvass	Lithuania	Vilniaus Alus Brewery
		Ukraine	Opillia
3.	Ale	Ukraine	Umanpyvo
4.	Cider	Ukraine	Pryvatni Sady
5.	Lemonade	Ukraine	Karavan, Adam Company
6.	Water	Ukraine	Karavan, Murovanokurilovetsky mineral water plant "Regina", MARGIT, Aqua–Polyana

Source: author, based on “Antyp” LLC data

According to table 2.2 we observe that the foreign economic activity of the enterprise consists in import of beer from the Czech Republic and beer and kvass from Lithuania. Detailed geographical and commodity structure of the enterprise is reflected in appendix A.

“Antyp” LLC is a supplier of beverages to the following Ukrainian retail chains: Silpo, Billa, Novus, Varus, Fozzy, Flagman, Good Wine, Wine House, Fora, MegaMarket, Auchan, Velmart, Velyka Kyshenya, VK Express, Eco–Market, Furshet,

Our Land, Continent, Quarter, Real Market, Digma, Ten, Bee Market, Miracle Market, Don Mare. “Antyp” LLC also supplies beverages to chain and individual grocery stores, restaurants, cafes, pubs, bars, specialty beer shops, pizzerias and other establishments. That is, the above-mentioned retail chains and establishments are in demand for the products of “Antyp” LLC and are its buyers.

In order to fully understand the internal environment of the “Antyp” LLC, it is important to analyse main figures of the balance sheet (appendix B) and income statement (appendix C). The horizontal analysis, which consider deviation (relative and absolute) is presented in appendix D for balance sheet, and appendix E – for income statement.

The analysing process consists of following steps:

1. The analysis of financial results
2. The structure of assets and liabilities
3. The analysis of liquidity and ability to pay debts
4. The analysis of financial stability and independency
5. The analysis of profitability

The final results of “Antyp” LLC financial analysis are provided in appendix F.

The main financial result, which must be considered, is profit. During analysed period 2015–2019 enterprise stated profits (appendix C). General tendency for “Antyp” LLC in 2015-2018 is growth of the profit. However, in 2019 the profit decreased by 5202,9 thsd. UAH (by 17,45%). The reason is increase of costs of goods sold (from 130578,1 thsd. UAH in 2018 to 204384,3 thsd. UAH in 2019) and other operating expenses (from 1144,3 thsd. UAH in 2018 to 1695,7 thsd. UAH in 2019). Although, net operating income was growing, the amount of expanses was higher.

In the next step, the horizontal (appendix D, E) and vertical analysis of assets (appendix G) and liabilities (appendix H) will be performed.

In general, the company’s activity has increased significantly since 2015. The total value of the company’s assets increased from 2015 to 2016 by 938,8 thsd. UAH (5,0%), from 2016 to 2017 by 536,7 thsd. UAH (27,0%), 2017 to 2018 by 18556,5 thsd. UAH (73,58%), and from 2018 to 2019 by 16988,2 thsd. UAH (38,81%). The value of non-current assets from 2017 to 2018 increased by 825,1 thsd. UAH (140,01%), but from 2018

to 2019 it decreased by 103,1 thsd. UAH (−7,29%). However, this decrease was insignificant, so it did not have a strong impact on the company's activities. The value of current assets from 2015 to 2016 raised by 1243,8 thsd. UAH (6,7%), from 2016 to 2017 by 4895,1 thsd. UAH (24,8%), 2017 to 2018 by 17731,4 thsd. UAH (71,99%), and from 2018 to 2019 by 17091,3 (40,35%). Therefore, assets of company tend to increase. Cash and cash equivalents, as a component of current assets, shows negative trend in 2015 – 2018. Besides, a slight decrease in this indicator do not have negative consequences on the work of the enterprise. The cash in 2017 was involved in the development of the enterprise, especially from 2018 to 2019 there was an increase by 368,7 thousand UAH (95,62%), which reflects a rise of almost 100%. Deferred debit reflects the growth from 2015 to 2016 by 36,2 thsd. UAH (15,5%), from 2016 to 2017 by 168,4 thsd. UAH (62,4%), 2017 to 2018 by 22,90 thsd. UAH (5,22%), from 2018 to 2019 by 16,50 thsd. UAH (3,58%). Other current assets characterized by significant increase from 2017 to 2018. This analysis shows an increase in the assets of the enterprise, which means the scaling of its activities.

As it can be seen from vertical analysis of assets (appendix G), the biggest part of all assets belongs to the current assets (97,8% of total assets, average in 2015-2019). Accounts receivable for goods, work, services (trade receivables) and inventories hold the biggest share in total assets in 2015-2019. In 2017 the share of inventories was the smallest 25,4%. In 2018 it accounted for 32,3% and in 2019 – 45,0%. Other assets statements take share not bigger than 7%. These peculiarities in assets structure are typical for trade enterprise.

According to the liability part of the balance sheet of “Antyp” LLC, the retained earnings show significant increase from 2016 to 2019. Long-term liabilities are also rising (289,5 thsd. UAH in 2015, and 752,7 thsd. UAH in 2019). In current liabilities there is no distinct tendency. During 2017–2018 there was a huge increase from 4617,4 thsd. UAH to 11800,5 thsd. UAH. In 2018 they stayed almost at the same level (11391,6 thsd. UAH) as in previous year, with slight decrease by 3,47%.

In addition, it is important to analyse how “Antyp” LLC finances its assets and have a look at its financial stability and autonomy. The simplest way is to look at the

shares of each part of the financing sources (appendix H). The main source of covering assets of “Antyp” LLC is retained earnings (in 2017 – 76,3%, in 2018 – 72,7%, in 2019 – 79,5%) according to vertical analysis of liabilities. Other part of financial sources belongs to current liabilities (in 2017 – 18,3%, in 2018 – 27,0%, in 2019 – 18,7%). However, for 2015 – 2017 current liabilities contained bigger part in total liabilities, than retained earnings. To sum up, “Antyp” LLC covers its assets by its own capital and do not goes into debts.

In the next step of the further analysis the ratios of liquidity and ability to pay debts will be considered. The current liquidity ratio of “Antyp” LLC is in benchmark value (3,72 in 2019). It means, the enterprise can cover its current liabilities. This evidence is also proven by positive and growing net working capital (in 2017 – 20012,90 thsd. UAH, in 2018 – 30561,20 thsd. UAH, in 2019 – 48061,40 thsd. UAH). “Antyp” LLC has values of quick liquidity ratio far above the benchmark value (2,82 in 2019). Firstly, it represents that the enterprise has enough liquid assets to cover liabilities. Secondly, the enterprise should increase inventories to scale up the production process. The most liquid asset is cash. The enterprise faces lack of cash and cash equivalents, as its value (0,07 in 2019) is below the benchmark (0,2).

The analysis of solvency of “Antyp” LLC shows that there is enough equity to cover the assets in 2017-2019, but in 2015-2016 the indicator was below the benchmark (0,5). The working capital coverage from 2015 to 2019 indicates values above the benchmark (more than 0,1) for all stated years. Thus, there is sufficient amount of equity to cover the debts. It proves by benchmark values of Debt–To–Equity Ratio (0,25 in 2019) and Equity manoeuvrability ratio (0,99 in 2019).

The analysis of main operating activity states that the enterprise should use its assets, accounts receivables, working capital in more efficient way to increase its turnover in operating activity. According to financial analysis (appendix F) the values of turnover ratios decreases in dynamics. However, all indicators are greater than 1, which means the efficiency of business activity of the enterprise and the speed of inventories turnover and average collection period. The asset turnover ratio characterizes the efficiency of use of all available resources, regardless of their sources, in 2015 it is 3,78, and in 2019 – 3,88.

The turnover ratio of receivables indicates the speed of its turnover, there was a decrease from 9,51 in 2015 to 7,32 in 2018, which is a negative trend, because it reduces the rate of receipt of funds from debtors. However, in 2019 there is an increase in the turnover ratio of receivables to 8,38, which is a positive trend.

In general, profitability indicators increased significantly from 2015 to 2017, but from 2017 to 2019 the tendency shows decrease. However, these changes do not indicate a deterioration in the company's activities, as they are caused by an increase in the scale of its activities. By 2019 the return on assets decreased from 0,68 (2018) to 0,41. This indicates a decrease in the efficiency of use of assets, but such a decrease is caused by a significant increase in assets of the enterprise. The efficiency of investing in the company determines the rate of return on equity. From 2015 to 2016 the return on equity had significant increase from 0,75 to 1,90, but till 2019 the indicator decreased to 0,50. Profitability of sales characterizes the profitability of economic activity of the enterprise from the main activity. It is seen a decrease in the indicator in 2019 to 0,13, such a decrease in profitability is caused by an increase in costs. Thus, according to analysis of financial conditions, the common tendency for "Antyp" LLC is significant growth in activity and the improvement of all the financial indicators from 2016 to 2017. In 2017-2019 the indicators show positive tendency and stable level of growth. In general, the financial analysis describes that the activity of "Antyp" LLC is profitable, however enterprise should implement measures to increase the efficiency of resources used.

The external environment of the object of research is the Ukrainian beverages market, as "Antyp" LLC provides national market with imported and domestic beverages. However, beer has the biggest share in enterprise product portfolio, that is why beer market will be considered as the main component of "Antyp" LLC external environment. The Ukrainian brewing sphere of economic activity is developing at the expense of large foreign enterprises with high positions in the world, thus the market structure is characterized as oligopoly. It creates high level of competition on the market, especially for SMEs. Most private breweries are still unable to enter the Ukrainian market because they do not have the resources to provide technical support and to set up their own sales network. Accordingly, the reason can stem from their low competitiveness. Such plants

usually cease production or become part of larger enterprises. However, such “absorption” of small productions gives them at least some opportunity to further develop their own production, promote the development of the economy of the brewing industry and provide the population with jobs. Thus, in order to operate successfully, companies should increase their competitiveness level and introduce high quality products on the market.

Among all alcoholic products in Ukraine, beer ranks first in sales and accounts for 46,1% in the segment of alcoholic beverages (Ukrstat, 2020). Considering the consumers’ analysis, about 61% of the population of Ukraine drink beer, the male part of the population accounts for 76% and, accordingly, 24% – for women. It should be noted that this trend also continues according to age, although in general the target audience of beverage consumers is young. Approximately 71% of beer is consumed by people aged 21 to 29 years. At the same time, the most restrained segment of consumers includes the population aged 51–59 years – only 3% (fig. 2.1).

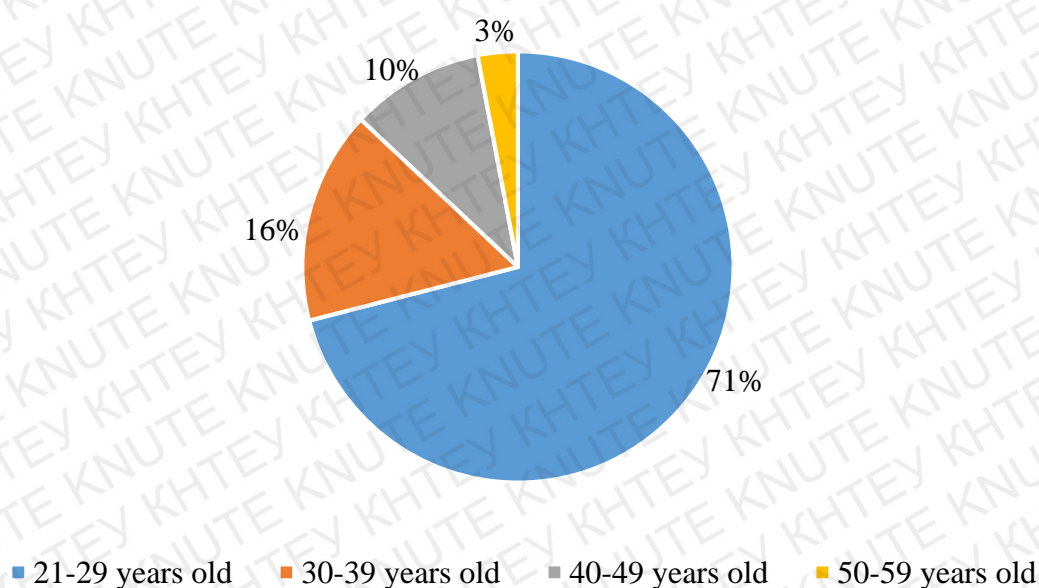


Figure 2.1. Age structure of beer consumption market in Ukraine

Source: State Statistics Service of Ukraine, 2020

Over the last 10 years, the Ukrainian beer market has been in a difficult situation, in particular, since 2012, the brewing industry has seen a gradual decline in production, and 2014 has been the most difficult year for all national beer producers. The reason for the decline in sales is the complication of political relations with Russia, as well as the

introduction of certain legal restrictions on beer production. According to State Statistics Service of Ukraine, the biggest growth of Ukrainian beer market was in 2008, when 330 million decaliters of beer were produced. Then the Ukrainian beer production began to decline in late 2013 – early 2014. The crisis in the country, the annexation of Crimea, military action in the east of the country negatively affected the results of beer economic activity. Firstly, beer exports decreased significantly because Russia was one of the main markets for Ukrainian products. Secondly, the reduction of the beer market was influenced by the loss of territories, as the main production of one of the market leaders, Anadolu Efes Ukraine, was located in Donetsk (Rozumey, 2018). Therefore, in the first quarter of 2018, the management of SAN InBev decided to merge with Efes. The volume of beer production in Ukraine in 2018 amounted to 175 million decaliters, which is almost 1,9 times less than the volume of production in 2008. However, since 2017 till now the beer market started to grow slightly (Bilinchuk & Sobolieva-Tereshchenko, 2019).

Ukraine's integration into the European space contributes to the formation of beer market development strategies in accordance with the specifics of the EU market. Among the 28 countries of the European Union in the market of beer producers there are 4 groups of countries depending on the volume of beer production, the largest beer producers – Great Britain and Germany with production volumes over 3000 million dal. per year, large producers – Poland, Spain, the Netherlands, Italy, the Czech Republic, Romania, Belgium, France with production volumes from 1000 million dal. to 3000 million dal., medium producers – Austria, Portugal, Hungary, Denmark, Bulgaria with volumes production from 500 million dal., to 1000 million dal., small – Greece, Norway, Sweden, Finland, Estonia, Latvia, Lithuania, Slovakia, Croatia with production volumes up to 500 million dal. In terms of production, Ukraine can be classified as the last group of countries – with production volumes up to 500 million dal. for a year (Sobolieva-Tereshchenko, 2018). Among the countries of this group, Norway, Lithuania, Slovakia, and Croatia are the closest to the Ukrainian beer market. At the same time, Slovakia is a neighbour of Ukraine, has a similar system of financial instruments and population.

The dynamics of the beer market of these countries from 2013 to 2019 is presented in figure 2.2. In the period from 2013 to 2019, studies of the dynamics of beer exports

and imports from the fourth group of EU countries revealed patterns in beer exports, with a general reduction in production.

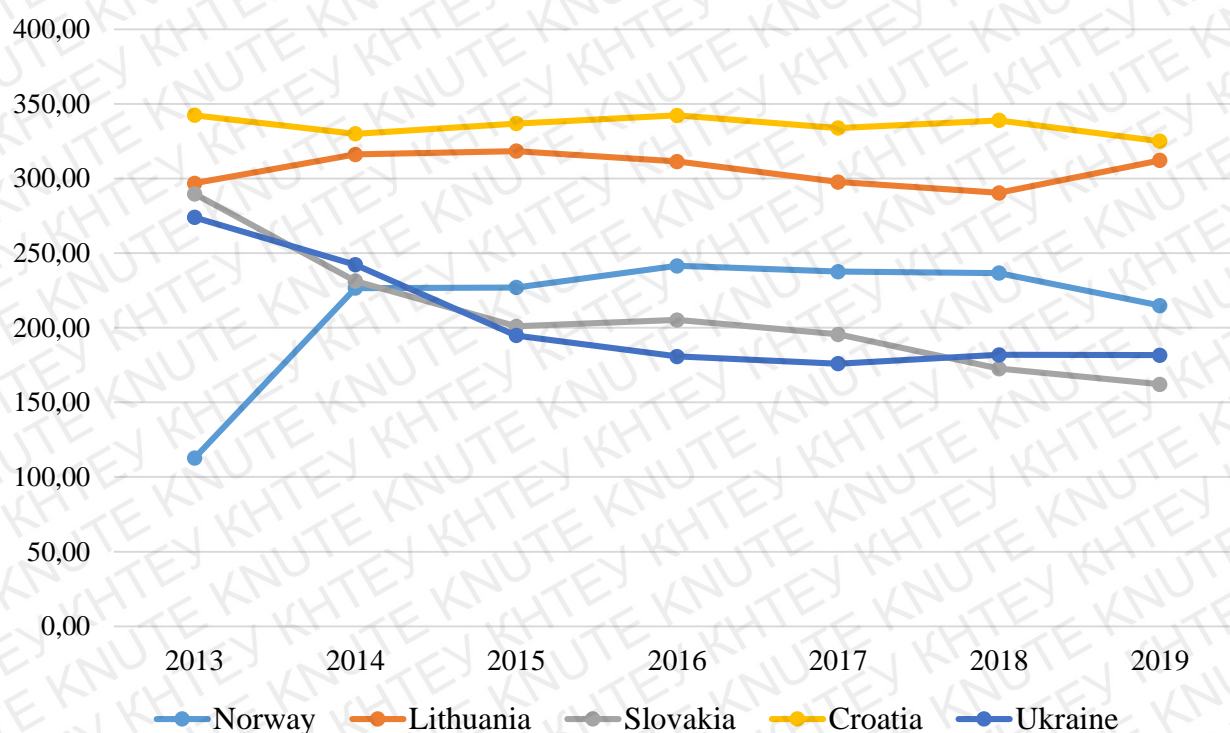


Figure 2.2. Volume of beer production in 2013–2019, mln dal.

Source: summarised by the author on the basis of Eurostat and Ukrstat data

The general dynamics of the beer market in Ukraine, Norway, Slovakia and Croatia during 2013–2017 indicates a steady downward trend in production. Therefore, for the EU countries of the fourth group with beer production volumes up to 500 million dal. per year is characterized by a decline in beer production in the period from 2013 to 2019. At the same time, total beer production in the EU over the past decade has remained stable and with small fluctuations amounted to 40 billion dal. Studies of the dynamics of beer exports and imports of EU countries of fourth group in the period from 2013 to 2019 revealed trends in beer exports with a general reduction in production, so the reorientation to foreign markets allows producers to survive a decline in beer production and domestic consumption of domestic beverages (appendix I).

From 2017 to 2019 it was growth in Ukrainian beer production as well as in international trade activity. Since 2016, there has been a positive trend in Ukraine over the growth of beer exports. The main importers of Ukrainian beer in 2017–2018 were Algeria, Belarus, and Moldova. In 2018, beer was imported to Ukraine in the amount of

3,6 million dal, while in 2017 – 2,5 million dal. At the same time, in 2018, compared to 2017, the supply of beer from Ukrainian producers for export increased by 13% to 11,4 million dal, according to Carlsberg Ukraine (2020). In 2018, the largest increase in exports was observed in the Americas (288,77%) and Europe (66,25%), while the largest increase in imports – from the CIS (176,48%) and Asia (130,81%), according to State Statistics Service of Ukraine.

The largest share of export is occupied by Obolon, Carlsberg Ukraine, SAN InBev Ukraine and Efes Ukraine, which are the largest beer producers in Ukraine. All these companies, except Obolon, belong to international holdings. The beer market structure of Ukraine in 2018 is presented on the figure 2.3. It is seen that the market is occupied by three major players, which have 90% of market share in Ukraine, other 10% is taken by other small companies. Accordingly, we can conclude that it is complicated process to enter the market for new companies and expand the current activity for operating ones.

The combined SAN InBev Ukraine and Efes Ukraine are part of AB InBev Corporation, whose plants are located in Chernihiv, Kharkiv and Mykolayiv. The company produces 7 of the 10 most popular beer brands in the world. The company has been operating on the Ukrainian market since 2000.

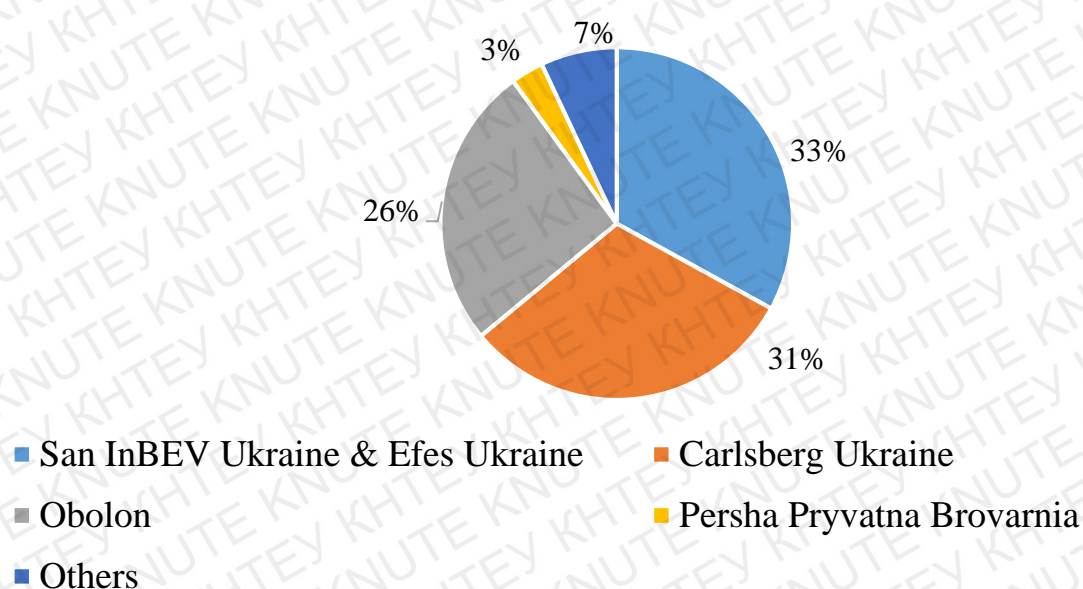


Figure 2.3. Beer market share structure in Ukraine in 2018

Source: State Statistics Service of Ukraine, 2018

The range of AB InBev products consists of international and Ukrainian brands. Among the well-known Ukrainian beer brands: Chernihiv, Rogan, Amber, Zhyguli Original, Bud, Stella Artois, Staropramen, Beck's and others. Carlsberg Ukraine is part of the Carlsberg Group in Ukraine. The company owns three plants located in Kyiv, Lviv and Zaporizhia. Carlsberg has been a leader in the Ukrainian market since 2009, and since 2016 it has become a leader in terms of production. Carlsberg has more than 500 different beer brands in its portfolio. The most famous of them in Ukraine are Baltyka, Lvivske, Arsenal, Slavutych, Tuborg, Holsten, Carlsberg, Doms, Kronenbourg and others. Obolon has been a Ukrainian beer producer since 1980. The main brewery is located in Kyiv, in addition to it, there are eight other plants in Ukraine. The company has its own malt plant, which produces more than 100 thousand tons of raw materials per year. Obolon exports both beer and malt. The producer produces beer under several brands: Obolon, Tycoon, Hike, Zibert, Carling, Zlata Praha, Zhiguli, Desant and others.

The peculiarities and tendencies of the Ukrainian and world beer market for 2013–2020 are:

- 1) General tendency to decrease the volume of beer production both in Ukraine and in some EU countries with similar volumes of beer production from 2013 to 2019.
- 2) High level of internal competition between beer producers and producers of strong alcoholic beverages.
- 3) Changes in consumer sentiment, the unstable situation in the country and, as a consequence, the reduction of volume of beer consumption by the population.
- 4) Increasing the consumption of brands in the “economy” segment.
- 5) Increase from 2014 the excise rate from 0,78 UAH per liter to 2,48 UAH, and then in 2017, an increase in the rate for beer from UAH 2,48 per liter to UAH 2,78 per liter, the change in the rules of licensing and advertising had a negative impact on the beer industry (Economic Truth, 2019).
- 6) General tendency of beer export growth in 2013–2019 in Ukraine and EU countries with similar production volumes.
- 7) Tendency to increase non-alcoholic beer production, mainly due to the significant increase in fine for drivers and trends for healthy lifestyle.

- 8) Craft beer is a global trend in the beer market. For example, in Belgium, between 2011 and 2016, the number of private breweries increased by 86%. In Ukraine, the trend is not so bright, but it is possible in case of the price of a license for small industries will decrease from 500 thousand UAH to 30 thousand UAH (Draft Law on amendments to certain laws of Ukraine Regulating the Beer).
- 9) The popularity of beer with atypical tastes is growing in the world. For example, with the taste of “chocolate”, “strawberry”, “blueberry”. According to the results of 2015, 27% of all beer sold belonged to this category (Sobolieva-Tereshchenko, 2018). This is a consequence of the development of the consumer market and one of the ways to attract the attention of the audience.
- 10) Another global trend is the unification of the beer market. Four international corporations (AB InBev, SABMiller, Heineken and Carlsberg) now control 47% of the market and generate 74% of the industry’s profits. In 2016, AB InBev and SABMiller merged, which led to the control of 30% of the global market (in volume) by this corporation, and AB InBev’s market share increased by 29% (Kuzo et al., 2020).
- 11) Increase of worldwide beer price per unit. Beer price tends to increase since 2010 to 2020 (appendix J). Thus, the Statista data service provide forecast with a positive trend to 2023 year.
- 12) In 2019 the biggest beer imports had such countries as: United States, France and China, exports – Mexico, Netherlands, Belgium and Germany (appendix K).

To sum up, the Ukrainian beer market started its growth after 2017. The production and export-import activity is increasing. Due to analysis of world trends on beer market, it is seen that “Antyp” LLC can expand its product portfolio with craft beer, non-alcoholic beer and beer with unusual tastes. The price of beer will increase, as well as the competition from companies that have the biggest market share. Thus, “Antyp” LLC should increase its competitiveness and expand its presence on the market.

In order to analyse external environment of enterprise more thoroughly, PEST analysis was conducted in table 2.3. PEST analysis enables to monitor the impact of political, economic, social and technological environment on enterprise. According to PEST analysis of “Antyp” LLC, it is seen that the economic environment has the biggest

influence on the enterprise. It is explained by the type of company's activity. Social and technological environment have the same impact on the enterprise activity, as consumers and technological improvements are important to consider to boost the efficiency of operating. The political environment has the lowest impact, nevertheless it is important to take it into consideration as well.

Table 2.3

PEST analysis of "Antyp" LLC

Factor	Influence (Weighting factor)	Grade (1-5)	Grade considering influence
Political			
Possibility of changes in governmental structure for SMEs support	2	2	0,08
Changes in legislation and trading policies	2	2	0,08
Governmental restrictions (time and cost) for small enterprise to import/export activities	1	1	0,04
Economic			
The possibility of merging market leading companies in Ukraine	3	4	0,16
Currency exchange rate	2	3	0,12
Tariff barriers	2	2	0,08
Purchasing power of population	1	2	0,08
Social			
Requirements for product quality	2	2	0,08
Attitude towards alcoholic beverages	2	3	0,12
Attitude towards imported goods	1	2	0,08
Technological			
Production efficiency	3	3	0,12
Technology research and development	3	2	0,08
Coverage of retail chains	1	2	0,08
Total	25	X	1,20

Source: estimated by the author

According to PEST analysis, it is seen that the legislation processes, changes in governmental structure, possible support for SMEs can influence on the enterprise. The time and cost for bureaucracy processes are also important, as "Antyp" LLC is small enterprise, thus it takes more time than for medium or large-sized enterprises. Considering economic environment, the most crucial issue for "Antyp" LLC is merging of big beer companies and thus creating a tough competition on the internal beer market. The increase of currency exchange rate can diminish the effectiveness of future import operations of "Antyp" LLC. In the social sphere attitude towards alcoholic beverages is important for

“Antyp” LLC, as the main product of company is beer. Nowadays it is trend for healthy lifestyle and increase in non-alcoholic beverages, so “Antyp” LLC should focus on the expanding its goods portfolio with non-alcoholic beverages. Considering technological part, the production efficiency is important, as its technology of producing high quality goods. “Antyp” LLC focuses on classic technologies for producing goods, so it is important to balance with saving the classic approach and implementing new innovations.

Thus, considering the internal and external environment of “Antyp” LLC, it is crucial to summarize the analysis in SWOT matrix (table 2.4).

Table 2.4

SWOT analysis of “Antyp” LLC

Internal environment	Strengths (S)	Weaknesses (W)
	<ol style="list-style-type: none"> 1. Relatively small staff of the organization, young and promising team. 2. Flexible leadership policy. 3. Competitive price for the final consumer. 4. Good reputation among customers and partners. 5. Established relationships with suppliers. 6. Defined concept and development strategy. 7. Sufficient resources for the growth of the enterprise. 	<ol style="list-style-type: none"> 1. Insufficient number of warehouses. 2. Lack of highly qualified labor force. 3. A small office. 5. Increase in costs due to the expansion strategy and increase in purchasing prices of certain suppliers.
External environment	Opportunities (O)	Threats (T)
	<ol style="list-style-type: none"> 1. Expansion of the products portfolio. 2. Growth into new market segments. 3. Establishing work with new suppliers from other regions of Ukraine and abroad. 4. Expansion of import activities. 5. Opportunity to enter foreign markets by exporting products, including its own TM "Honour of the Brewer". 6. Access to new foreign and Ukrainian regional markets. 	<ol style="list-style-type: none"> 1. The emergence of new competitors and rival pressure from existing ones. 2. Rising prices. 3. Loss of permanent partners. 4. Lack of state support, increase in taxes and duties. 5. Decrease in purchasing power of the population. 6. Hryvnia devaluation diminish the effectiveness of import operations.

Source: developed by the author

According to the SWOT-analysis of the “Antyp” LLC, it is seen that in terms of the internal environment of the company there are more strengths than weaknesses. The existing weaknesses are related to the increase in the volume of activity of “Antyp” LLC and the untimely adjustment of the company to this strategy. After all, it is necessary to expand the office and rent or buy new warehouses, in order to expand production, attract new labour force and maintain its reputation. The company has a consistent leadership

with a flexible management style, able to adapt to the situation in the country and enter new markets. The company has all the sufficient resources to increase the volume of activity, so its capabilities are: expanding the production line and product range, entering new market segments and new markets in Ukraine and abroad.

The company conducts import activities with the Czech Republic and Lithuania, it is possible to expand import activities to the such markets as: Poland, Germany, Belgium, Holland, Denmark, Austria. After all, these countries recognize the best beer in the world. Considering the opportunity to export own TM, it should be mentioned that start of export activity takes time, so it is an opportunity for the company in the long run. Among the main threats to the external environment of the enterprise are: competitors and the situation in the country. The beer market is characterized by high level of competition. However, this threat can be neutralized by expanding activities, maintaining the quality and taste of products, satisfying consumer preferences and maintaining contacts with partners, both suppliers and customers.

Thus, as a result of the analysis, it was determined that the most preferred strategy for “Antyp” LLC at this stage is a strategy of concentrated growth, it means strengthening the position in the existing market and expanding the geographical and product structure of the enterprise. “Antyp” LLC has all available resources to enter new markets. With the expansion of warehouses, offices and staff, the company will be able to enter new markets in Ukraine and get new partners abroad to carry out import operations and expand the product range.

2.2. Estimation the level of international competitiveness of small enterprises in Ukraine on the basis of “Antyp” LLC

Having analysed the financial statements of “Antyp” LLC, it is seen that the considered small enterprise operates efficiently. Besides, for estimation of international competitiveness, it is important to analyse financial indicators from involvement in the international activity.

As it was mentioned previously, “Antyp” LLC has import operations with a brewery in the Czech Republic (Pardubicky Pivovara) and with a brewery in Lithuania (Vilniaus Alus). The imported products are beer and kvass. The financial results from import activities of “Antyp” LLC for 2015–2019 is presented in table. 2.5. The deviation (absolute and relative) for 5 years of import activity is presented in the appendix L.

Table 2.5

**Financial results from “Antyp” LLC import activities
(Czech Republic, Lithuania) for 2015–2019**

#	Indicators	2015	2016	2017	2018	2019
1	Net income from sales of imported products, thousand UAH	27345,10	25450,30	34080,76	56986,58	80201,95
2	Import costs, thousand UAH	(18213,00)	(19750,30)	(26306,56)	(43090,77)	(65402,98)
3	Operating profit from import activities, thousand UAH	9132,10	5700,00	7774,20	13895,81	14798,98
4	Coefficient of effectiveness	1,50	1,29	1,30	1,32	1,23

Source: estimated by the author on the basis of “Antyp” LLC financial statements

According to table 2.5 we observe that the net income from import activities is growing over the years, with slight decrease in 2016 on 1894,80 thousand UAH (-6,93%). All the following years show growth of net income. Although it was a slight decrease from 2015 to 2016, the tendency is positive in 2016-2019. From 2017 to 2018 there was an increase of net income from sales of imported products by 22905,82 thousand UAH (67,21%), which indicates a significant expansion of import activity, from 2018 to 2019 it raised by 23215,37 thousand UAH (40,74%). As the growth in the volume of activity leads to an increase in costs, it is seen that from 2017 to 2018 the cost of import activities increased by 16784,21 thousand UAH (63,80%), and from 2018 to 2019 – by 22312,20 thousand UAH (51,78%). Operating profit from import activities from 2015 to 2016 decreased by 3432,10 thousand UAH (-37,58%), from 2016 to 2017 increased by 2074,20 thousand UAH (36,39%), from 2017 to 2018 raised by 6121,61 thousand UAH (78,74%), and from 2018 to 2019 – by 903,17 thousand UAH (6,50%).

In general, the financial results from import activities indicate an increase in import of the company, which is expressed by the expansion of the company's activity. However, considering the coefficient of efficiency it is seen that from 2015 it decreased. In 2015 the coefficient of effectiveness from import activity was the highest (1,50), it is explained by low cost for import activity. In 2016 it decreased from 1,50 to 1,29. From 2017 to 2018 the financial results from import activity became more efficient, as it was growth from 1,30 to 1,32, but in 2019 it was decline – 1,23. However, the import activity of “Antyp” LLC is profitable and efficient, even though it was a slight decline in coefficient of efficiency.

In order to study the international activity effectiveness of “Antyp” LLC more thoroughly, we provide the efficiency analysis of real import operation on the basis of contract with Czech brewery Pardubický Pivovara. Under the existing contract, the main provisions of the import operation are defined. The price and quantity are specified in the specification. The contract price is \$ 8858,41. The seller is responsible for quality and packaging in accordance with EU standards. As Czech Republic is a country of the European Union, a certificate of origin of goods is provided, which is the basis for confirming the preferential customs regime of Ukraine with EU member states. The terms of payment under this contract are bank transfers, as the companies have been partners for a long time. Payment is made within 180 days from the date of receipt of the Goods according to the customs declaration. The terms of delivery determine the CIP (Incoterms, 2010). That is, the seller is obliged to load the goods on the first vehicle, deliver to the main carrier, load on the main vehicle, pay for transportation to customs, provide insurance for the goods. The seller is also responsible for customs clearance at the border customs and payment of export duty. At the internal customs, the buyer receives the goods with all the accompanying documents that were specified in the contract. From now on, the buyer is responsible for the goods received and must pay for: delivery to the place of import, import duty at domestic customs, unloading from the main vehicle and other material costs of the import transaction.

In order to analyse the effectiveness of an existing contract, it is necessary to make certain calculations. The situation of “Antyp” LLC import operation with Czech brewery

is displayed below. The general terms of the import contract are presented in table 2.6, cost structure to the contract price is defined in table 2.7. Thus, knowing the main conditions of the contract, the efficiency can be determined.

Table 2.6

Terms of the import contract

Product name	Beer
Exporting country	Czech Republic
Quantity	12870 liters
Terms of delivery (Incoterms, 2010)	CIP Kyiv
The tariff rate (Law of Ukraine, 2013)	€ 0,05 per 1 liter
The rate of excise tax (Tax Code of Ukraine)	UAH 2,78 per 1 liter
The NBU exchange rate at the time of payments (NBU, 2016)	28,74 UAH / EUR 25,20 UAH / USD
The contract price	\$ 8 858, 41

Source: summarised by the author on the basis of company's contract

Considering the general terms of existing import contract with Czech brewery, it is important to know cost structure, in order to make efficiency calculations. The structure of costs to the contract price is presented in table 2.7.

Table 2.7

Cost structure to the contract price

Costs	Costs amount, UAH or% of the contract price
Transportation	UAH 110,07
Transport unloading costs (UAH 100 per 1 ton)	UAH 1287,00
VAT	20% of the contract price
Material costs of the importer	1,5% of the contract price
Labor costs	5% of the contract price
Deductions from IP	22% of IP

Source: summarised by the author on the basis of company's contract

Having mentioned general conditions and cost structure, the final step for defining import operation efficiency can be made. The algorithm, calculations and results of efficiency of the import contract and the currency efficiency from conducting current import activity is presented in table 2.8.

Considering the calculations and results, it is seen that the given import operation is efficient. The effect from the operation is 420834,60 UAH, the efficiency is 2,20 and the currency efficiency is 87,17, which is almost four times more than the currency rate of the year the operation was conducted ($87,17 > 25,20$). Therefore, this import operation

with Czech brewery in 2016 displays the usual import activity of “Antyp” LLC, which is, as analysed, conducted efficiently.

Table 2.8

The currency and import efficiency of import operation of “Antyp” LLC

	Algorithm	Formulas	Calculations	Result
1.	Calculation of the customs value of goods	The custom value is defined by specification	The customs value is 8858,41 USD. The customs value in UAH: 8858,41 USD · 25,20 UAH/USD = 223231,93 UAH	223231,93 UAH
2.	Calculation of import duty	Import duty tariff rate · quantity	Import duty in €: 0,05 € · 12870 l = 643,50 € Import duty in UAH: 643,50 € · 28,74 UAH/EUR = 18494,19 UAH	18494,19 UAH
3.	Calculation of excise tax	The rate of excise tax · quantity	Excise tax: 12870 l · 2,78 UAH = 35778,60 UAH	35778,60 UAH
4.	Calculation of value added tax	VAT = (Custom Value + Import duty + Excise tax) · VAT rate	VAT rate is 20%. VAT = (223 231,93 + 18 494,19 + 35 778,60) · 20% = 55500,94 UAH	55500,94 UAH
5.	Calculation of the import price of the contract	Custom Value + Import duty + Excise tax + VAT + Costs	223 231,93 + 18 494,19 + 35 778,60 + 55 500,94 + 1287 + 110,07 + 0,015 · 223 231,93 + 0,05 · 223 231,93 + (0,05 · 223 231,93 · 0,22) = 351 365,40 (UAH)	351365,40 UAH
6.	Calculation of revenue from sales of imported products in the domestic market.	Average wholesale price of Czech beer on internal market · quantity	Average wholesale price of 1 bottle of 0,5 liters of Czech beer – 30 UAH. Given volume is 12870 liters of Czech beer (9 varieties), the proceeds from the sale of 25740 bottles of 0,5 liters on the domestic market will be: 25740 · 30 = 772200 (UAH)	772200 UAH
7.	Calculation of the effect of the import operation	Effect = Revenue – Import price of the contract	Effect = 772 200,00 – 351 365,40 = 420834,60 (UAH)	420834,60 UAH
8.	Calculation of the efficiency ratio	KE = Revenue/Import price of the contract	KE = 772 200,00 / 351 365,40 = 2,20	2,20 > 1
9.	Currency efficiency of import operation	(Price on internal market in UAH · quantity)/(Price of buying in USD · quantity)	772200 UAH / 8858,41 USD = 87,17	87,17 > 25,20

Source: estimated by the author

To sum up, according to analysis of import activity, the effect, efficiency and currency efficiency of import operation are defined above the benchmarks for companies' which conduct import activities. Therefore, “Antyp” LLC operates successfully and is

considered to have high level of competitiveness to increase its involvement into international economic activity.

Conclusions to part 2

According to analysis of internal and external environment, it is seen that “Antyp” LLC operates efficiently on the market. However, there are some threats in external environment, which “Antyp” LLC should take into consideration while planning the growth strategies. The external environment is characterized by concentrated beer market with three main players, consumers of “Antyp” LLC products and their preferences, suppliers and partners, and general economic situation in Ukraine, in particular the conditions for small enterprise to involve into international economic activity. Considering world trends with increase of non-alcoholic beverages consumption, and popularity for unusual beer tastes, enterprise can find free market niches for new products.

According to general financial analysis, the “Antyp” LLC conducts profitable activity. With analysis of the ratios of liquidity and indebtedness, it is seen that the enterprise can cover its current liabilities, net working capital tends to increase, and enterprise has enough liquid assets to cover liabilities. However, the enterprise should increase inventories to scale up the production process and to extend cash and cash equivalents value. The analysis of solvency of “Antyp” LLC shows that there is enough equity to cover the assets, and there is sufficient amount of equity to cover the debts. The analysis of main operating activity states that the enterprise should use its assets, accounts receivables, working capital in more efficient way to increase its turnover in operating activity. Profitability metrics have considerably improved from 2015 to 2017, but the pattern indicates a decline from 2017 to 2019. These adjustments do not, however, suggest a decline in the operations of the organization, as they are caused by an increase in the size of its activities.

The current import operation is estimated as competitive ($2,20 > 1$), thus “Antyp” LLC has enough experience and resources to enter new markets.

To sum up, as a result of the analysis, it was determined that the most preferred strategy for “Antyp” LLC at this stage is a strategy of concentrated growth, it means

strengthening the position in the existing market and expanding the geographical and product structure of the enterprise. As “Antyp” LLC has enough competitiveness, it means that the company can expand its product portfolio and conduct import or export operations, in order to increase its involvement into international economic activity of Ukraine, and boost its effectiveness.

PART 3

WAYS OF INCREASING THE INVOLVEMENT OF SMALL ENTERPRISES IN UKRAINE'S INTERNATIONAL ECONOMIC ACTIVITY

3.1. Development of a complex of measures to increase the involvement of small enterprises in the international economic activity of Ukraine on the basis of “Antyp” LLC

Development of measures to increase the involvement of small enterprises in the international economic activity of Ukraine is a complex issue, so, firstly, we should analyse Ukrainian relevant indicators comparing to world ones, secondly, we should focus on macro level defining the main problems and solutions which could be provided by the government, and the last step is a micro level, that is to say how enterprise can participate more into international economic activity of Ukraine.

Considering the macro level, the number of Ukrainian SMEs is on the same level, as in EU countries, however their contribution to export activity is smaller (table 3.1).

Table 3.1

Share of SMEs and large enterprises in Ukrainian exports of goods in 2018

Type of enterprises	Share in export value, %	Share in number of transactions, %	Share in number of exporters, %	Average number of nomenclature units	Average number of partners
Large	85,5	60,4	11,4	15,9	7,9
SME	14,5	39,6	88,6	5,2	2,6

Source: State Statistics Service of Ukraine, 2018

The average contribution of European SMEs to exports (35,4%) is much higher than in Ukraine (14,5%). The lowest rate is only in Slovakia (13,6%) and Luxembourg (12%), which is obviously due to the structure of the economy (for example, the high share of large enterprises, including automobiles, in Slovak exports) (EC, 2020). The data suggest that compared to EU countries, where the contribution of SMEs accounts for half of all exports, the scale of export activities of Ukrainian SMEs is relatively small, and the

export potential of SMEs is far from developed. Despite this, the share of SMEs in the value of exports has almost doubled in the last decade.

Thus, the increase in export activity of SMEs is unlikely to significantly affect Ukraine's macroeconomic indicators, at least for several years. However, the presence of SMEs in international markets (as well as efforts to enter these markets) will have a positive impact on product quality and the competitiveness of small businesses. When there are enough competitive SMEs, this positive impact will be felt at the level of the economy as a whole. So, in order for SMEs to be competitive on the international market it should be defined the main problems for SMEs involvement in international economic activity.

According to Global Enabling Trade Report by World Economic Forum Ukraine takes 95th place out of 136 countries, which indicates low involvement of Ukraine in international trade. The main problems for import involvement are corruption of customs procedures, tariffs and non-tariffs barriers, burdensome import procedures (appendix M) and for export: identifying potential markets and buyers, difficulties in meeting quality/quantity requirements of buyers, access to trade finance, technical requirements and standards abroad, inappropriate production technology and skills, access to imported inputs at competitive prices, high cost or delays caused by domestic transportation, burdensome procedures at foreign borders (appendix N). The biggest problems facing exporters are the high level of bureaucratization, inefficient or non-transparent VAT refund mechanism, the large number of permits and the unpredictable nature of trade policy in Ukraine.

According to the size of the enterprise that wants to enter the international market, it is more complicated for small enterprises, than medium. For large enterprises institutional and regulation processes are conducted faster and easier (fig. 3.1). According to Doing Business report (2019), exporting companies spend an average of 1–2 days to go through all the necessary procedures for registration of one batch of goods. At the same time, small businesses usually spend 2 days on it, and medium and large – 1 day. In most enterprises (74,3%) the cost of procedures in foreign trade operations reaches 5% of the value of one batch of goods, for 13,1% the cost of procedures ranges from 5% to

10% of the value of a batch of goods (Doing Business, 2019). Smaller companies spend relatively more money, which is due in part to the size of consignments of goods. Therefore, for small enterprises the process of involvement in international economic activity is more complicated than for medium and especially large enterprises.

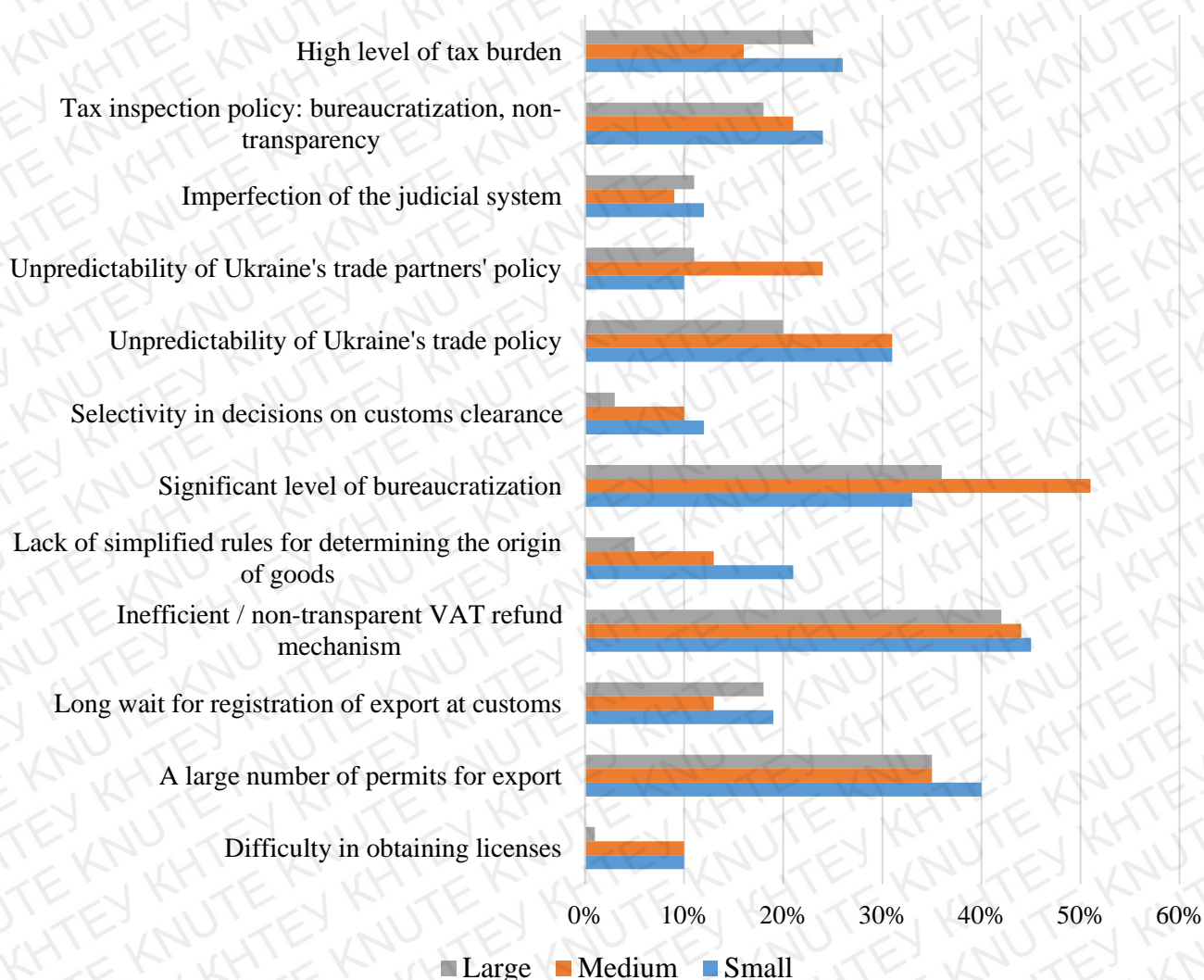


Figure 3.1. Institutional and regulatory barriers to exports in Ukraine depending on the size of the enterprise in 2018

Source: Doing Business, 2019

Therefore, factors limiting the opportunities for SMEs to participate in foreign trade in Ukraine are as follows:

1. The presence of unreasonably complicated requirements for obtaining regulatory conditions for export operations and excessive time and money spent on customs procedures. Delays in customs clearance remain a problem, which increase the costs of

SMEs for foreign trade agreements, making it difficult for them to participate in global supply chains.

According to a World Bank survey, almost 13% of medium-sized enterprises have identified customs rules and procedures for regulating foreign trade as one of the most important obstacles to their activities. Only for 5,3% of large enterprises these factors were significant. The corresponding estimate for small businesses is 6,7%. As a much smaller share of small enterprises are exporters, they are less exposed to the work of customs, the need to comply with regulatory requirements for foreign economic activity, and so on.

A significant gap remains in the cost of processing foreign trade goods. Ukrainian companies incur significantly more time and money to pass customs control and paperwork for the export of goods. The time for processing documents for a Ukrainian exporter is 96 hours, while companies in the EU spend 1–3 hours on the relevant procedures, in Turkey – 2 hours, Belarus – 4 hours, China – 21 hours, India – 38 hours, hours, Russia – 25 hours. Accordingly, most of these countries have lower paperwork costs.

According to the Report on Involvement in International Trade, Ukraine has the weakest position in terms of indicators that characterize the efficiency and transparency of customs procedures. In terms of customs services, Ukraine ranked 110th among 136 countries surveyed, the efficiency of the customs process registration – 104, the cost of time for processing documents for the export of goods – 105, the cost of processing documents for the export of goods – 124.

2. Limited access to information on the situation in foreign markets. This is one of the main barriers to exports, as it makes it difficult to find reliable partners and increases the risks of SME export activities. Due to the lack of competence and financial resources, SMEs are often unable to identify and take advantage of new opportunities in foreign markets. Even when they have identified a possible new market, SMEs often have real difficulty accessing data that can be used to assess the expected profits and risks of doing business in that market. Thus, identifying and accessing relevant information from private and public sources remains a major challenge for SMEs seeking to enter international

markets. According to the Report on Attraction to International Trade, problems with determining the potential market and buyers are the most important factor influencing exports in Ukraine.

3. Low effectiveness of the assistance system for establishing contacts with potential foreign partners. Difficulties in finding a partner in a foreign market are one of the main obstacles to the start of export activities of SMEs. First-time export companies lack knowledge of how to enter international markets. An additional deterrent is the difficulty of gaining access to appropriate distribution infrastructure (retail chains, sales agents, and so on) (Yevtushenko, 2019).

In Ukraine, a significant part of government initiatives to expand access of Ukrainian companies to information on conditions and regulation of foreign trade, providing them with information on relevant tariff and non-tariff restrictions, regulatory changes in other markets, is unsystematic and unfounded. The Ministry of Economic Development and Trade of Ukraine manages the Internet portal “State Support of Ukrainian Exports” (<http://www.ukrexport.gov.ua>), which provides some information on the state of the economy and markets, the legislation of Ukraine and partner countries, contains databases data of exporters, commercial offers, tenders and tenders, international business events, etc. In fact, the portal is full of information on various aspects of export activities. However, the practical significance of such an Internet resource in terms of achieving the objectives is extremely low. The main disadvantages are as follows: there is no constant updating of information; individual blocks of the portal are filled unevenly, the information provided in them is fragmentary (for example, the legislation of the host country); low level of structure of the submitted information; lack of systematic targeted search; overflowing with unnecessary information, which is not targeted, but rather illustrative. Positive steps to develop a system of assistance to Ukrainian enterprises in terms of providing advisory, informational, technical and organizational support for export activities of SMEs include:

- plans of the Ministry of Economic Development and Trade of Ukraine to establish export support centres, the establishment of appropriate centres in regional chambers of commerce and industry;

- launch of the web service “Exporter Support Centre” by the Delegation of Ukraine to the EU;
- establishment of the Council of Exporters and Investors as a permanent advisory body to the Ministry of Foreign Affairs of Ukraine, which is tasked with assisting Ukrainian exporters in strengthening their position in traditional markets, entering new markets, participating in tenders, implementing infrastructure and investment projects abroad, attracting financial resources in the production of competitive and export-oriented products in Ukraine, sales of high-tech products abroad and the introduction of foreign innovative technologies, attracting foreign investment in Ukraine, promoting Ukraine's economic interests abroad at bilateral and multilateral levels;
- establishment of the Export Promotion Office as an advisory body to the Ministry of Economic Development and Trade of Ukraine, which was established as a “single window” to assist Ukrainian exporters in gaining access to foreign markets.

Many of these initiatives have been implemented since 2015. Their effectiveness will be determined by the ability of relevant institutions to provide sufficient financial and human resources for their implementation, to form effective mechanisms for interaction between the various institutions that implement them (Pokryshka, 2018).

4. Insufficient qualification level of management of companies in the management of foreign economic activity. Difficulties due to limited knowledge of foreign economic activity management, combined with their perceptions of the risks of such activities, become important deterrents for SME participation in international trade, especially in the case of assessing opportunities to launch export operations. In addition, such activities involve the use of methods of strategic management of companies. However, in its daily activities, SME management is largely focused on the operational management of the company, ensuring its viability in the near future.

5. Low capacity to attract qualified personnel to carry out foreign economic activity. The process of entering foreign markets is quite complex and costly for any company. Large enterprises create units for the purpose of studying markets, day-to-day management of foreign trade processes, risk assessment and finding ways to minimize them. This is often not possible in the case of SMEs. For many SMEs, limited knowledge

of foreign markets acts as a significant barrier to increasing their exports. SME management has insufficient experience in solving technical, legal, marketing issues in the field of foreign economic activity, supply chain management, etc. SMEs often cannot afford to retain specialists or engage external experts to initiate and manage their foreign economic operations. In most cases, their small size and resources do not allow them to hire the staff needed to identify export opportunities, establish relationships with foreign buyers, constantly monitor and analyse import requirements for importing countries (for example labeling, consumer safety, sanitary and phytosanitary requirements), changes in legislation, regulatory requirements of domestic authorities and the relevant foreign market. The cost of obtaining such information is prohibitively high for SMEs (Lisitsa & Stefaniuk, 2019).

6. Lack of comprehensively regulated mechanisms for the application of procedures and regulatory requirements in foreign trade operations. In many cases, SMEs face significantly higher risks in export operations compared to large enterprises due to the higher relative level of compliance costs in the case of low predictability of relevant rules and procedures in the context of their frequent changes and adjustments, the use of different approaches to customs cost of goods, defects in the mechanisms of appeal against decisions of customs authorities. Significant risks for SMEs arise in terms of compliance with the law on compliance with the deadlines for the return of revenue from export operations. They arise due to the limited duration and lower level of stability of relations with foreign counterparties, much lower ability to resolve issues related to their breach of contractual obligations, and so on. In particular, exporting companies are subject to penalties for violating the 90 days' period for the return of foreign exchange earnings. At the same time, Ukrainian legislation does not provide for any official procedures for notifying companies of the application of special sanctions. As a rule, companies learn about the imposed sanctions only after they have already been applied, and they have the only way to stop the sanctions by filing a lawsuit. That is, in case of unscrupulous actions of a foreign counterparty, additional transaction costs for export activities will be borne by the Ukrainian exporter – either for the implementation of a judicial settlement of this problem, or for the payment of appropriate fines.

7. Unavailability of long-term and relatively cheap export financing. Companies seeking to enter new markets face a shortage of working capital to finance exports. This not only increases the cost of export activities, but can also jeopardize the entire production activities of the company. This problem has two aspects: the availability of trade finance for SMEs and access to sufficient working capital for enterprises to carry out economic activities. Trade finance minimizes the risks inherent in trade agreements and ensures that exporters are paid for the goods shipped. Instead, the amount of working capital that companies can raise is important for their day-to-day operations and the expansion of economic activities, including exports.

Restrictions on access to financial resources are more severe for companies that are in the early stages of export development, in particular in terms of the availability of loans to expand working capital and long-term loans, as well as their value. According to the Report on Involvement in International Trade, access to trade finance is the third most important barrier to exports in Ukraine.

8. Low level of competitiveness of SMEs. Insufficient competitiveness of a large number of SMEs is a significant barrier to entering foreign markets. The reasons for this are the deep lack of investment for technological modernization of production and the lack of motivation to innovate. In the industry of Ukraine in 2016–2018, technological innovations were introduced by only 3,8% of small and 7,3% of medium-sized enterprises, while for large enterprises this figure reached 11,5% (Tyshchenko, 2019). In addition, the mismatch of production technologies and skills, technical requirements and standards abroad and difficulties in meeting customer requirements were recognized by Ukrainian enterprises as one of the important factors hindering the development of their export activities.

9. Insufficient effectiveness of state export support programs. The low level of awareness of SMEs about the existing programs of state support and promotion of access to foreign markets, conditions and opportunities for participation in such programs is a significant deterrent to the development of export activities. At the same time, the insignificant resource allocated for such purposes does not allow to provide significant

changes in the disclosure of the export potential of domestic companies (Burakovsky et al., 2016)

10. The presence of language and cultural barriers. The language barrier makes it difficult to find the information you need, as well as practical business contacts. Such barriers can make it difficult, especially for small businesses, to find foreign customers and markets for their products.

Taking into account the outlined specifics and obstacles to the export activities of SMEs in the development and implementation of foreign trade policy in Ukraine will create conditions for a gradual increase in the export potential of SMEs and strengthen the country's position in foreign markets.

Therefore, considering all above-mentioned problems for Ukrainian SME sector, analysing key barriers to SME growth and business forum recommendations G20 to overcome them (appendix O), appropriate public policy measures should include:

1) simplification of procedures and regulatory requirements to reduce the costs of companies to carry out export activities, the implementation of customs procedures: the introduction of measures to deregulate customs clearance procedures for exports; reducing the number of documents required for customs clearance of exports; acceleration of introduction of effective system of electronic document circulation and systematic introduction of paperless technologies in all spheres of activity of customs service; development of a mechanism for accelerating customs procedures for “reliable” exporters;

2) development of mechanisms of informational, legal and methodical support of exporters: introduction of regular collection of statistical information on foreign trade activity of SMEs; development of the system of operative informing of domestic business about actual problems of foreign trade, changes of trade policy of Ukraine and the main trade partners in a way of carrying out educational and information seminars and trainings for representatives of business associations, SMEs; creation under the leadership of the Ministry of Economic Development and Trade in cooperation with the Ministry of Foreign Affairs, other ministries and departments, the Chamber of Commerce and Industry of Ukraine, associations of enterprises training programs, special seminars and

trainings for management, SME representatives on foreign economic activity, modern methods and mechanisms for managing export operations; creation of a network of regional export promotion centres focused on providing information, consulting and marketing services for domestic producers in terms of product quality requirements, certification, services to find potential partners, organization of export operations; creation of a comprehensive information platform in the field of foreign trade;

3) intensification of financial support for export activities: introduction of mechanisms of export crediting and insurance by completing the creation of a specialized export credit agency; implementation of long-term export credit programs for SMEs.

However, at the current stage macro level changes are made very slow, considering unpredictable political and economic situation. Thus, the enterprise should develop its own measures, not relying on government. Enterprise involvement into international economic activity has its prospects and risks (table 3.2).

Table 3.2

**Prospects and risks of involvement into
international economic activity for “Antyp” LLC**

Prospects	Risks
Expansion of the sales market and consequently margins growth.	The level of profits may not be as high as planned due to the unstable situation abroad.
Gaining access to scarce resources, which may be larger and cheaper than in the national market.	Penetrating a foreign market can cause low ROI.
Improving the company's image by giving it international status.	Modifying an existing product for another market can be very costly.
Return on investment for the development of new production due to large sales, which are typical of the world market	Successful sales in the market of one region abroad do not mean that it will be successful in another region. As a result, many entrepreneurs have big losses.
Reducing dependence on the domestic market and contingencies that may occur in the country.	Due to little experience, entrepreneurs cannot focus on the specialisation that could have a competitive advantage in the selected market of a region.
The possibility of selling goods that have seasonality abroad in the off-season in another country.	The company's entry into the international market is possible only with modern management methods, because of fierce competition.

Source: author, based on Shynkarenko (2018)

Analysing the risks which are mentioned in table 3.2, it is seen that they could be eliminated by developing systematic and strategic policy of enterprise for involvement

into international economic activity. The benefits for involvement into international economic activity are: increasing of enterprise independence on local market, growth of profits, expansion of activity, gaining new consumers, and improving the company's reputation.

There are different ways for involvement into international economic activity. Types of foreign economic activity are mentioned in the Article 4 of the Law on Foreign Economic Activity of Ukraine (appendix P). On the current stage "Antyp" LLC is involved into import activity.

Considering the fact that "Antyp" LLC operates like distributor, providing Ukrainian market the imported goods, there are two main ways for increasing involvement into international economic activity: import and export. As it was mentioned previously "Antyp" LLC has its own trademark of beer which is named "Honour of Brewer", so this product can be exported abroad. However, the process of exporting is new to company and has lots of risks. As it was mentioned in the part 2, export activity is an option for "Antyp" LLC in a long-term perspective. Another way of increasing involvement into international economic activity is import, in particular for "Antyp" LLC it would be import from new market, as currently company has already had import operations from two EU markets (Czech Republic and Lithuania). Thus, the import is usual activity for "Antyp" LLC, so it will be easier and cheaper for company to prepare and conduct import operation. Thus, there are more risks for exporting than for importing (table 3.3), especially for company which is specialized at import activity.

Table 3.3

Obstacles for involvement into foreign economic activity for "Antyp" LLC

#	Obstacles	Export	Import
1.	Costs to enter new market	+	+
2.	Developing new direction of activity (costs for strategic planning, marketing etc.)	+	
3.	Looking for new reliable partners	+	+
4.	Burdensome procedures on the border, tariff barriers	+	+
5.	Competition	+	
6.	Requirements and standards	+	
7.	Lack of governmental support, especially for small enterprise	+	

Source: developed by the author

Therefore, considering table 3.3, it is seen that the export activity is more complicated to conduct, especially for small enterprise. Firstly, the costs for export activity will be higher than for import. Secondly, for company who is specialized at import activity, export is a new direction, thus, requires more resources to prepare and organize. In addition, the risk of failure is higher than on the domestic market. Thirdly, the competition on the new market can be higher and consumers can be more loyal to local brands. Fourthly, the requirements and standards are higher, as they are set on the level of another country or on the regional level. Last thing that can become an obstacle is lack of governmental support, as for small enterprises it is difficult process to operate internationally, and government does not provide enough informational and financial support.

Thus, comparing export and import activity for “Antyp” LLC, it is concluded that on the current stage of enterprise lifecycle import activity will be more efficient, as it has less risks and requires less resources.

3.2. Estimated effectiveness of the proposed measures

Taking into consideration the external and internal analysis of enterprise, it is concluded that alternative import operation can boost the enterprise effectiveness and simultaneously increase the involvement of enterprise into international economic activity.

The first step of organising the alternative import operation is to choose the market on which the import operation can be conducted. We will analyse three potential contracting countries to select a partner for import in Ukraine. The following countries were selected for analysis and development of an alternative import operation: Poland, Germany, Belgium. These countries were chosen precisely because of the popularity of beer in them, the presence of well-known producers of “live” beer and possible cooperation in the future. The presence in the product range of recognized brands of “live” beer will increase the demand for “Antyp” LLC products in the Ukrainian market.

Especially, considering the fact that popularity of craft beer is increasing in the world. Let's analyse the potential partner countries for beer imports in the table 3.4.

Table 3.4

**Choice of the target market for alternative
import operation of beer by the “Antyp” LLC**

#	Factors determining the choice of market	Poland	Germany	Belgium
1.	High supply of goods		✓	
2.	Low supply of goods	✓		✓
3.	Low import costs	✓		
4.	High import costs			✓
5.	Restrictive export policy			
6.	Liberal export policy	✓	✓	✓
7.	Small geographical distance	✓		
8.	Significant geographical distance			
9.	A dynamically developing economy	✓	✓	✓
10.	Economy with stagnant processes			
11.	Tight currency control			
12.	Liberal monetary policy	✓	✓	✓
13.	Long-term prospects for the depreciation of the national currency	✓		
14.	Long-term prospects for the growth of the national currency		✓	✓
	Minor differences in the socio-cultural environment	✓		
15.	Significant differences in the socio-cultural environment			
16.	Low political risk	✓	✓	✓
17.	High political risk			
18.	Availability of well-known beer brands for Ukrainian consumers		✓	

Source: author, based on Doing business report (2019)

According to the analysis, Poland was chosen as a potential market for import, precisely because of its geographical proximity, ease of communication and low import costs. Low import cost is key factor for choosing the country, because during analysis of Antyp's import activity efficiency it is seen that effectiveness declined in 2019 because of high import costs. Cooperation with Germany is also possible in the future, as German beer is known all over the world, so brand recognition would increase demand. However, the market needs to be expanded gradually, so at this stage Poland has been selected as a counterparty for the import operation. Zywiec beer was chosen for the potential product, as it is a cult Polish beer with a short shelf life (60 days), which corresponds to the concept of “Antyp” LLC. The producer of Zywiec beer in Poland is Grupa Żywiec, which has

several breweries located in different cities of Poland. In order to successfully organize an import operation, it is necessary to plan further actions and determine the algorithm and mechanism for their implementation. Firstly, the company decides on the organization of the operation, determines its feasibility and adequacy of resources. Secondly, establishing contact with a foreign partner to discuss the terms of future cooperation. Thirdly, a foreign trade contract is concluded after negotiations, which takes into account all the issues discussed. According to the foreign trade contract: basic terms of delivery – CIP Kyiv, contract currency – USD, goods – beer “Zywiec”, quantity of delivery – 200000 bottles of 0,5 liters, unit price – \$ 0,36. The total value of the contract is \$ 72000,00. Taking into account the NBU exchange rate as of 30.10.2020: 28,43 UAH/USD, the value of the contract in UAH is: \$ 72000,00 · UAH 28,43 UAH/USD = 2046960,00 UAH.

The next step of import operation process is application to the customs authority (cargo department or customs post) at the place of its state registration and register by the subject of foreign economic activity. The absence of an account card of the subject of foreign economic activity is a ground for refusal in customs clearance of goods. The procedure for customs clearance of imported goods into the customs territory of Ukraine is presented in appendix Q. The organisation of import operation is complicated process which contains several stages. Each stage should be ensured by particular documents on the enterprise. Thus, the process of import operation is summarized in table 3.5.

Table 3.5

The stages of import operation organisation

#	Stage of import operation	The documents that ensure the implementation of each stage
1.	Deciding on a potential agreement with a partner.	Report of the internal meeting.
2.	Search for a foreign partner.	Partner search report, commercial offers, competitive materials, competitive letter.
3.	Establishing contact with a selected foreign partner.	Order on business trip of specialists, reports of negotiations, reports of internal meetings.
4.	Concluding an import contract with a foreign partner.	Foreign trade contract between parties.
5.	To be registered in customs, for registration of the preliminary notice on import of the goods.	Checks for paid payments (if there are additional payments), FEA subject's account card.

continuation of table 3.5

#	Stage of import operation	The documents that ensure the implementation of each stage
6.	Actual import of goods by a foreign partner. Customs clearance procedure at customs.	Accreditation card at customs, contract and specification, invoice, certificate EUR. 1, transport consignment note, packing list, customs declaration, quality certificates and technical documentation.
7.	Receiving goods from a partner.	Accompanying documents (invoice, packing list, specification, customs declaration, transport declaration).
8.	Payment for goods.	Bank statements, payment orders, accounting documents.

Source: summarised by the author

Thus, the import operation would normally contain eight stages, however it can differ with the peculiarities of enterprises, partners or type of goods or services.

In order to find out the efficiency of proposed import operation, it is important to predict and estimate costs for conduction of operation. Costs estimation is presented in appendix R. Based on the cost analysis, the overall cost estimate of the import operation and the distribution of responsibilities between departments for certain cost items are presented in the table. 3.6.

Table 3.6

Import costs and distribution of responsibilities of divisions of the “Antyp” LLC

#	Cost item	Sum, UAH	Responsible department of the enterprise
1.	Daily allowance for business trips of two specialists for negotiations for 4 days (UAH 500 for 1 day)	4000,00	Accounting
2.	The cost of the contract	2046960,00	Procurement department
3.	Transportation costs	355,77	Logistic
4.	Transport unloading costs (Mr Mover, 2020)	10000,00	Logistic
5.	Import duty (preferential 0,05 euros per 1 liter) (Law of Ukraine, 2013)	166450,00	Procurement department
6.	Excise tax UAH 2,78 per 1 liter (Tax Code of Ukraine)	278000,00	Procurement department
7.	VAT (20% of the contract price)	498282,00	Accounting
8.	Unforeseen import costs (1,5% of the contract price)	30704,40	Procurement department
9.	Labor costs (5% of the contract price)	102348,00	Accounting
10.	Deductions from IP (22% of IP)	22516,56	Accounting
11.	Commission 5% of the contract price for collection payment	102348,00	Accounting
Total costs		3261964,73	Accounting

Source: estimated by the author

Given the estimated cost of the proposed import operation, we can find the effectiveness of this operation.

It is necessary to take into account the wholesale prices for the sale of beer “Zhyvets”, in order to calculate the revenue from the operation. According to the retail chain “Winestyle”, the retail price on the Ukrainian market of 1 bottle of 0,5 liters of beer “Zhyvets” is 46 UAH. The wholesale price is usually 10–20% less than the retail price. Take the average wholesale price, which is 15% less than the retail price. That is, the wholesale price of 1 bottle of 0,5 liters of beer “Zhyvets” will be 39 UAH. Subject to the sale of 20000 bottles of 0,5 liters, the revenue will be: 200000 bottles · 39 UAH = 7800000 UAH.

Thus, considering costs and revenue calculations, the effect and efficiency of import operation can be estimated (table 3.7).

Table 3.7

The effectiveness of proposed import operation for “Antyp” LLC

#	Algorithm	Formula	Calculations	Result
1.	Calculation of the effect of the import operation	Effect = Revenue – Import price of the contract	Effect = 7800000,00 – 3261964,73 = 4538035,27 (UAH)	4538035,27 UAH
2.	Calculation of the efficiency ratio	KE = Revenue/Import price of the contract	KE = 780 000,00 / 3261964,73 = 2,39	2,39 > 1
3.	Currency efficiency of import operation	(Price on internal market in UAH · quantity)/(Price of buying in USD · quantity)	7800000,00 UAH / 72000,00 USD = 108,33	108,33 > 28,43

Source: estimated by the author

Thus, the effect of the proposed import operation is: UAH 4538035,27 and the efficiency ratio is 2,39. Since 2,39 > 1, so the import operation is efficient. Comparing the existing operation with the Czech Republic, the efficiency of which is 2,20, and the proposed alternative operation from Poland with a coefficient of 2,39, it is seen that the projected efficiency of the proposed operation is higher than the efficiency of the current: 2,39 > 2,20. That is, “Antyp” LLC can implement the proposed import operation for the supply of Zhyvets beer from Poland to Ukraine, in order to generate revenue and continue to operate effectively in the market, and to expand the product and geographical structure.

It was determined that the efficiency is 2,36, which is a good indicator and indicates the possibility of increasing the company's profits.

In order to understand how proposed operation can influence on the financial indicators of company, the forecast for 2020 is estimated with current trend and with alternative import operation (table 3.8).

Table 3.8

Forecasted financial indicators from “Antyp” LLC import activity

#	Indicators	Average relative deviation for 5 years (2015-2019), %	Forecast for 2020 without proposed import operation	Forecast for 2020 with proposed import operation
1.	Net income from sales of imported products, thousand UAH	33,73	43289,00	51089,00
2.	Import costs, thousand UAH	39,30	(37796,38)	(41058,34)
3	Operating profit from import activities, thousand UAH	21,01	3107,79	7645,83
3.	Coefficient of effectiveness	X	1,05	1,20

Source: estimated by the author on the basis of table 2.5

Considering the table 3.8, it is seen that the proposed import operation will be effective for enterprise and will boost its effectiveness on 0,15. In such a way proposed import operation of beer from Poland will increase the involvement of “Antyp” LLC in international economic activity and will increase the effectiveness of enterprise's financial indicators from import activity.

Conclusions to part 3

Considering involvement of small enterprises into international economic activity of Ukraine, the analysis showed that compared to EU countries, where the contribution of SMEs accounts for half of all exports, the scale of export activities of Ukrainian SMEs is relatively small. One of the reason is that for small enterprises the export and import process is more complicated than for medium and especially large-sized enterprises. The main problems that limit opportunities of Ukrainian SMEs to increase involvement into

international economic activity are: time and cost of customs procedure, high requirements for export, limited access to information on the situation on foreign markets, difficulties in finding international partners, lack of governmental support, limited access to finances, low level of competitiveness of SMEs and so on.

Therefore, the proposed measures on macro level are:

- 1) simplification of procedures and regulatory requirements for conducting international economic activity;
- 2) development of mechanisms of informational, legal and methodical support of exporters;
- 3) intensification of financial support for export activities.

Changes on macro level are to be done in long-term perspective, that is why enterprise should rely on its own resources to increase the competitiveness and flexibly adopt to the external environment.

On the micro level there were proposed two types of international economic activity for “Antyp” LLC: export and import. As was analysed, on the current stage export is very risky activity for enterprise, so import activity was chosen to be a measure for enterprise’s efficiency growth. Thus, the alternative import operation was proposed. Chosen product is live beer “Zhyvets”, chosen country for import – Poland. The efficiency of operation was analysed and was estimated as 2,39 which is higher than the “Antyp” LLC import operation with Czech brewery (2,20) as assessed. The impact on financial results of company was analysed as well and due to forecast it is seen that without conducting the alternative import operation, the coefficient of effectiveness of “Antyp” LLC foreign economic activity would be 1,05, and with an operation – 1,20. To sum up, the alternative import operation is effective and proposed to be implemented by “Antyp” LLC till the next year.

CONCLUSIONS AND RECOMMENDATIONS

Small and medium-sized enterprises (SMEs) are a key driver of national economies' growth, providing jobs, innovation, developing new sectors of the economy and shaping national competitiveness. In Ukrainian economy SMEs play significant role, as they generate 61% of total revenue from the sale of products, works and services. However, if to compare the revenues to GDP from SMEs in EU countries, they make up 30–40% of GDP, and in Ukraine – from 7% to 9%. Besides, the number of SMEs in Ukraine is much higher than large enterprises, but due to the economy of scale and monopolistic position in the market, 90% of revenues to GDP are generated by large enterprises. Comparing to German experience, it is seen that in Ukraine SMEs are not involved enough into international economic activity. There are 13,41 thousand SMEs exporters in Ukraine and 523,15 thousand in Germany, considering the population there are 0,32 and 6,31 respectively. This fact indicates significant difference and proves that Ukrainian SMEs sector is not competitive enough for international market.

“Antyp” LLC was chosen to be an object for research. “Antyp” LLC is small enterprise which provides Ukrainian market with beverages and conducts import operations with Czech Republic and Lithuania. According to general financial analysis, profitable operation is carried out by the “Antyp” LLC. It is shown that the company can cover its current liabilities by calculating the ratios of liquidity and capacity to pay obligations, that net working capital continues to rise, and that the company has enough liquid assets to cover liabilities. The business can, however, raise inventories to scale up the manufacturing process and extend the value of cash and cash equivalents. The “Antyp” LLC solvency analysis reveals that there is insufficient equity to cover the properties, but that there is ample equity to cover the debts. The main operating activity analysis notes that the company can make more productive use of its cash, accounts receivables and working capital to maximize its operating activity turnover.

Profitability metrics typically declined from 2017 to 2019, but these adjustments do not indicate a decline in the operations of the organization. As a result of the study of internal and external environment, it was decided that, at this point, the most favoured

strategy for “Antyp” LLC is a centred growth strategy, which means improving the position of the current market and expanding the company's geographical and product structure. In order to reach new markets, “Antyp” LLC has all the tools available. The company will be able to penetrate new markets in Ukraine with the expansion of factories, offices and workers and to obtain new partners abroad to carry out import operations.

According to analysis of external environment, the policy mechanisms, improvements in the government system and future funding for small and medium-sized enterprises can be seen to have an effect on the enterprise. It is also important to have time and expense for bureaucracy processes, as “Antyp” LLC is a small enterprise, so it takes more time than for medium or large enterprises. In view of the economic climate, the most important problem for “Antyp” LLC is the merger of large beer firms and thus the emergence of tough competition in the internal beer market. Increased currency exchange rates could decrease the effectiveness of future import operations. For “Antyp” LLC, the attitude towards alcoholic drinks is relevant in the social sphere, as the company’s main product is beer. It is now a trend for a healthier lifestyle and a rise in non-alcoholic drinks, so enterprise can concentrate on expanding its product range of non-alcoholic drinks. In view of the technical aspect, “Antyp” LLC focuses on classic goods production technologies, so it is important to combine the classic approach with saving and introducing new innovations. Current import operation of “Antyp” LLC is estimated to be profitable and effective ($2,20 > 1$).

In order to increase level of small enterprises involvement into international economic activity such measures were proposed to be done on macro level: simplification of the processes and legal conditions for foreign economic operations to be carried out; production of information, legal and methodical support structures for exporters; and to intensify financial support for export operations.

At the micro level, two forms of foreign economic operation were suggested for the “Antyp” LLC: export and import. As analysed, export activity for enterprises is very risky at the current level, so import activity was chosen to be a measure of efficiency growth for enterprises. The alternative import operation was then proposed. The commodity chosen is live beer “Zhyvets” from Poland. Operating performance was

measured and calculated at 2,39, which is higher than the usual import operation of “Antyp” LLC with the Czech Brewery (2,20) as assessed. The impact on the company’s financial performance was also evaluated and it is shown from the forecast that the coefficient of effectiveness of “Antyp” LLC foreign economic activity will be 1,05 without performing the alternative import operation. With implementing the proposed import operation, the effectiveness of financial indicators from import activity of enterprise will raise to 1,20. In short, the alternative import operation is successful and is proposed to be adopted by the “Antyp” LLC until the following year.

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APPENDICES

Appendix A

Commodity and geographical structure of the Antyp in 2015-2020

#	Product name	Shelf life	Density / Alcohol	Type	KEG volume in liters
Pardubice, Czech Republic – Pardubice Brewery JSC					
1.	Pernstein Willem	60	11,0/4,7	light	30
2.	Pernstejn Lezhak	60	12,0/5,2	light	30
3.	Pardubicky Taxis original beer	60	14,0/6,0	light	30
4.	Pernstein Granat	60	13,0/5,7	dark	30
5.	Pardubicky Porter original Czech beer	60	19,0/8,0	dark	30
Vilnius, Lithuania - Vilniaus Alus JSC					
1.	Vilniaus Alus light unfiltered	60	11,0/5,2	light	30
2.	Vilniaus Alus is dark	60	13,0/5,6	dark	30
3.	Vilniaus Alus wheat	60	14,0/5,0	wheat	30
4.	Vilniaus Alus dark with herbs	60	14,0/5,6	dark	30
5.	Kvachkor kvass	60	Non-alcoholic	kvass	30
6.	Kvass "Retro"	60	Non-alcoholic	kvass	30
Berdychiv, Ukraine - Berdychiv Brewery LLC					
1.	Barrel	20	11,0/3,7	light	50
2.	Barrel	20	11,0/3,7	light	30
3.	Unfiltered	5	11,0/3,7	light	30
4.	Classic	20	10,9/3,5	light	50
5.	Camp	20	11,2/3,8	light	50
6.	Wheat	20	12,0/3,4	light	50
7.	Premium	20	12,0/4,3	light	50
8.	Zhiguli	20	11,0/3,7	light	50
9.	Leon	20	15,5/6,5	light	50
Uman, Ukraine - Umanpyvo LLC					
1.	Zhiguli	20	11,0/4,2	light	50
2.	Weisburg	20	11,0/4,7	light	50
3.	Wheat	20	11,0/4,4	light	50
4.	Honey	20	16,0/5,0	light	50
5.	Red Spruce	20	11,0/4,7	red	50
6.	Cerveza de la Vida	20	11,0/4,2	light	30
Ternopil, Ukraine - Opillya LLC					
1.	Classic	14	11,0/4,0	light	50
2.	Koryfey	14	11,0/3,7	light	50
3.	Haydamatske	14	12,0/4,5	light	50
4.	Firmove	14	16,0/5,7	light	50
5.	Knyazhyche	14	12,0/4,2	dark	50
6.	Pshenychne	14	11,0/3,7	light	50
7.	Kvass live home-made	14	Non-alcoholic	kvass	50
8.	Kvass Ternopil	15	Non-alcoholic	kvass	50
9.	Kvass Ternopil white	15	Non-alcoholic	kvass	50

continuation of appendix A

#	Product name	Shelf life	Density / Alcohol	Type	KEG volume in liters
Khmelnitsky, Ukraine - Khmelyvo PJSC					
1.	Proskurivske	20	11,0/3,7	light	50
Rivne, Ukraine – Riven LLC					
1.	Bergschloss light	45	14,5/6,5	light	50
Berehove, Ukraine - Europe-2014 LLC					
1.	JOHN GASPER light	60	12/3,4	light	50
2.	JOHN GASPER dark	60	12/3,2	dark	50
Slavuta, Khmelnitsky region, Ukraine - Slavutych Brewery PJSC					
1.	Kniaz Sanhushko	10	14,0/4,8	light	50
Lviv, Ukraine - Kalush Brovar Distribution LLC					
1.	Kalusher	20	11,0/3,5	light	50
Melitopol, Zaporizhia region, Ukraine - PE "Dimiors"					
1.	Munich unfiltered	20	12,0/5,0	light	50
Serpneve village , Kharkiv region, Ukraine - Private Gardens LLC					
1.	Apple cider	60	5,0/6,9	apple	30
2.	Cherry cider	60	5,0/6,9	cherry	30
3.	Grape white cider (Muscat)	60	5,0/6,9	grape	30
4.	Grape red cider (Isabella)	60	5,0/6,9	grape	30
5.	Strawberry cider	60	5,0/6,9	strawberry	30
6.	Cider pear	60	5,0/6,9	pear	30
7.	Lemon cider (limoncello)	60	5,0/6,9	limoncello	30
8.	Fragolino cider	60	5,0/6,9	fragolino	30
9.	Currant cider	60	5,0/6,9	currant	30
Kharkiv, Ukraine - Caravan LLC					
1.	Soft drink juice-containing "Bell"	60	Non-alcoholic	citric	50
2.	Soft drink juice-containing "Duchess"	60	Non-alcoholic	pear	50
3.	Soft drink juice-containing "Lemonade"	60	Non-alcoholic	lemonade	50
4.	Soft drink juice-containing "Cream-Soda"	60	Non-alcoholic	cream soda	50
5.	Soft drink juice-containing "Fabulous key"	60	Non-alcoholic	citrus	50
6.	Soft drink juice-containing "Caravan of Cola"	60	Non-alcoholic	cola	50
7.	Soft drink juice-containing "With taste of orange"	60	Non-alcoholic	orange	50
8.	Soft drink "Delicious"	60	Non-alcoholic	apple	50
9.	Soft drink juice-containing "Engine"	60	Non-alcoholic	pear-lemon	50
10.	Soft drink juice-containing "Marsan"	60	Non-alcoholic	grape	50
11.	Soft drink carbonated juice "Caravan Mojito"	60	Non-alcoholic	mojito	50
12.	Soft drink on taste and aromatic vegetable raw materials "Tarragon"	60	Non-alcoholic	tarragon	50

continuation of appendix A

#	Product name	Shelf life	Density / Alcohol	Type	KEG volume in liters
13.	Soft drink juice-containing "Bianca"	60	Non-alcoholic	Bianca	50
14.	Highly carbonated artesian drinking water	60	Non-alcoholic	strongly carbonated	50
15.	Slightly carbonated artesian drinking water	60	Non-alcoholic	low carbonated	50
16.	Non-carbonated artesian drinking water	60	Non-alcoholic	non-carbonated	50

Source: author, based on "Antyp" LLC data

Balance sheet of “Antyp” LLC 2015-2019, thsd. UAH

Assets	Code of line	2015	2016	2017	2018	2019
I. Non-current assets						
Construction-in-progress	1005	19,8	19,8	19,8	19,8	5,5
Fixed assets	1010	304,3	107,9	569,5	1394,6	1305,8
acquisition cost	1011	679,8	772,7	1580,3	2574,4	2899,4
depreciation	1012	-571,2	-664,8	-1010,8	-1179,8	-1593,6
Total of section I	1095	432,7	127,7	589,3	1414,4	1311,3
II. Current assets						
Inventories	1100	8523,4	9001,8	6406,0	14142,2	27350,6
Accounts receivable for goods, work, services (trade receivables)	1125	7321,3	8055,5	15758,8	22909,0	27152,3
Accounts receivable for settlement of budgetary payments	1135	203,5	295,7	66,2	0,0	994,1
Including income tax	1136	0,0	0,0	0,0	0,0	0,0
Other current receivables	1155	405,1	380,5	1282,6	2913,7	0,0
Current financial investments	1160	0,0	0,0	0,0	0,0	0,0
Cash and cash equivalents	1165	1752,5	1674,3	628,4	385,6	754,3
Deferred debit	1170	233,7	269,9	438,3	461,2	477,7
Other current assets	1190	51,9	57,5	50,0	1550,0	2724,0
Total of section II	1195	18491,4	19735,2	24630,3	42361,7	59453,0
III. Non-current assets classified as held sale	1200	0,0	0,0	0,0	0,0	0,0
Total assets	1300	18924,1	19862,9	25219,6	43776,1	60764,3
Equity and Liabilities						
I. Equity						
Issued (share) capital	1400	900,0	900,0	900,0	900,0	900,0
Retained earnings (uncovered loss)	1420	4783,5	1469,1	19238,9	31822,7	48311,7
Unpaid capital	1425	0,0	0,0	0,0	0,0	0,0
Total of section I	1495	5683,5	2369,1	20138,9	32722,7	49211,7
II. Non-current (long-term) liabilities	1595	289,5	337,9	463,3	663,7	752,7
III. Current liabilities						
Short-term bank loans	1600	0,0	0,0	0,0	0,0	0,0
Current accounts payable (long-term liabilities for):	1610					
goods, works, services	1615	3381,8	4308,2	1255,0	7878,1	9280,1
settlement of budgetary payments	1620	753,3	873,9	674,5	1486,6	667,5
incl. income tax	1621	417,8	848,8	311,6	1410,8	591,7
insurance payable	1625	25,1	26,7	35,0	38,4	92,0
wages and salaries payable	1630	51,3	54,7	62,9	86,6	160,3
Deferred income	1665	0,0	0,0	0,0	0,0	0,0
Other current liabilities	1690	8321,8	11892,4	2590,0	900,0	600,0
Total of section III	1695	12951,1	17155,9	4617,4	11800,5	11391,6
IV. Liabilities included in disposal groups	1700	0,0	0,0	0,0	0,0	0,0
Total equity and liabilities	1900	18924,1	19862,9	25219,6	43776,1	60764,3

Source: company's financial reports

Income statement of “Antyp” LLC 2015-2019, thsd. UAH

	Code of line	2015	2016	2017	2018	2019
Net operating income	2000	71537,2	76992,3	121717	167607,6	235888,1
Other operating income	2120	2312	2630	222,3	695	451,3
Other income	2240	5,2	4,3	12,7	0,4	0,0
Total income (2000 + 2120 + 2240)	2280	73854,4	79626,6	121952,0	168303,0	236339,4
Cost of goods sold	2050	-65432,4	-68607,5	-97431,7	-130578,0	-204384,3
Other operating expense	2180	-3237,1	-5533,2	-2586,4	-1144,3	-1695,7
Other expense	2270	0,0	0,0	0,0	-215,8	-239,7
Total expenses (2050 + 2180 + 2270)	2285	-68669,5	-74140,7	-100018,0	-131938,0	-206319,7
Net income before tax (2280 – 2285)	2290	5184,9	5485,6	21933,9	36364,8	30019,7
Income tax	2300	-933,3	-987,5	-3948,1	-6545,7	-5403,5
Net profit (loss) (2290 – 2300)	2350	4251,6	4498,4	17985,8	29819,1	24616,2

Source: company's financial reports

Horizontal analysis of Antyp's balance sheet for 2015-2019

Assets	Code of line	Absolute increase/decrease, thsd. UAH				Percentage increase/decrease, %			
		2015-2016	2016-2017	2017-2018	2018-2019	2015-2016	2016-2017	2017-2018	2018-2019
I. Non-current assets									
Construction-in-progress	1005	0,0	0,0	0,0	-14,3	0,0	0,0	0,0	-72,2
Fixed assets	1010	-196,4	461,6	825,1	-88,8	-64,5	427,8	144,9	-6,4
acquisition cost	1011	92,9	807,6	994,1	325,0	13,7	104,5	62,9	12,6
depreciation	1012	-93,6	-346,0	-169,0	-413,8	16,4	52,0	16,7	35,1
Total of section I	1095	-305,0	461,6	825,1	-103,1	-70,5	361,5	140,0	-7,3
II. Current assets									
Inventories	1100	478,4	-2595,8	7736,2	13208,4	5,6	-28,8	120,8	93,4
Accounts receivable for goods, work, services	1125	734,2	7703,3	7150,2	4243,3	10,0	95,6	45,4	18,5
Accounts receivable for settlement of budgetary payments	1135	92,2	-229,5	-66,2	994,1	45,3	-77,6	-100,0	0,0
Including income tax	1136	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other current receivables	1155	-24,6	902,1	1631,1	-2913,7	-6,1	237,1	127,2	-100,0
Current financial investments	1160	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cash and cash equivalents	1165	-78,2	-1045,9	-242,8	368,7	-4,5	-62,5	-38,6	95,6
Deferred debit	1170	36,2	168,4	22,9	16,5	15,5	62,4	5,2	3,6
Other current assets	1190	5,6	-7,5	1500,0	1174,0	10,8	-13,0	3000,0	75,7
Total of section II	1195	1243,8	4895,1	17731,4	17091,3	6,7	24,8	72,0	40,4
III. Non-current assets classified as held sale	1200	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total assets	1300	938,8	5356,7	18556,5	16988,2	5,0	27,0	73,6	38,8
Equity and Liabilities									
I. Equity									
Issued (share) capital	1400	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Retained earnings (uncovered loss)	1420	3314,4	17769,8	12583,8	16489,0	-69,3	1209,6	65,4	51,8
Unpaid capital	1425	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total of section I	1495	-3314,4	17769,8	12583,8	16489,0	-58,3	750,1	62,5	50,4
II. Non-current (long-term) liabilities	1595	48,4	125,4	200,4	89,0	16,7	37,1	43,3	13,4
III. Current liabilities									
Short-term bank loans	1600	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Current accounts payable (long-term liabilities for):	1610								
goods, works, services	1615	926,4	-3053,2	6623,1	1402,0	27,4	-70,9	527,7	17,8
settlement of budgetary payments	1620	120,6	-199,4	812,1	-819,1	16,0	-22,8	120,4	-55,1
incl. income tax	1621	431,0	-537,2	1099,2	-819,1	103,2	-63,3	352,8	-58,1
insurance payable	1625	1,6	8,3	3,4	53,6	6,4	31,1	9,7	139,6
wages and salaries payable	1630	3,4	8,2	23,7	73,7	6,6	15,0	37,7	85,1
Deferred income	1665	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other current liabilities	1690	3570,6	-9302,4	-1690,0	-300,0	42,9	-78,2	-65,3	-33,3
Total of section III	1695	4204,8	12538,5	7183,1	-408,9	32,5	-73,1	155,6	-3,5
IV. Liabilities included in disposal groups	1700	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total equity and liabilities	1900	938,8	5356,7	18556,5	16988,2	5,0	27,0	73,6	38,8

Source: estimated by the author on the basis of "Antyp" LLC balance sheets

Horizontal analysis of “Antyp” LLC income statement for 2015-2019

	Code of line	Absolute increase/decrease, thsd. UAH				Percentage increase/decrease, %			
		2015-2016	2016-2017	2017-2018	2018-2019	2015-2016	2016-2017	2017-2018	2018-2019
Net operating income	2000	5455,1	44724,7	45890,6	68280,5	7,6	58,1	37,7	40,7
Other operating income	2120	318,0	-2407,7	472,7	-243,7	13,8	-91,5	212,6	-35,1
Other income	2240	-0,9	8,4	-12,3	0,0	-17,3	195,3	-96,9	0,0
Total income (2000 + 2120 + 2240)	2280	5772,2	42325,4	46351,0	68036,4	7,8	53,2	38,0	40,4
Cost of goods sold	2050	-3175,1	-28824,2	-33146,4	-73806,2	4,9	42,0	34,0	56,5
Other operating expense	2180	-2296,1	2946,8	1442,1	-551,4	70,9	-53,3	-55,8	48,2
Other expense	2270	0,0	0,0	-215,8	-23,9	0,0	0,0	0,0	11,1
Total expenses (2050 + 2180 + 2270)	2285	-5471,2	-25877,3	-31920,1	-74381,5	8,0	34,9	31,9	56,4
Net income before tax (2280 – 2285)	2290	300,7	16448,3	14430,9	-6345,1	5,8	299,8	65,8	-17,5
Income tax	2300	-54,2	-2960,6	-2597,6	1142,2	5,8	299,8	65,8	-17,5
Net profit (loss) (2290 – 2300)	2350	246,8	13487,4	11833,3	-5202,9	5,8	299,8	65,8	-17,5

Source: estimated by the author on the basis of “Antyp” LLC income statements

**The results of the analysis of the financial condition
of the “Antyp” LLC, 2015-2019**

Indicators of the financial condition of the enterprise	Formulas	Benchmark	Antyp values in 2015	Antyp values in 2016	Antyp values in 2017	Antyp values in 2018	Antyp values in 2019
The analysis of financial results of activity							
Analysis of the financial condition of the enterprise	X	Profit increase	4251,6	4498,4	17985,8	29819,1	24616,2
Dynamics of assets	X	increase	18924,1	19862,9	25219,6	43776,1	60764,3
Dynamics of liabilities	X	increase	18924,1	19862,9	25219,6	43776,1	60764,3
The analysis of liquidity							
Current liquidity ratio	Current assets ÷ Current liabilities	>1	0,92	1,08	4,27	2,09	3,72
Quick liquidity Ratio	(Current assets - Inventory) ÷ Current liabilities	0,6 - 0,8	0,77	0,63	3,95	2,39	2,82
Cash Ratio	Cash ÷ Current liabilities	>0,2	0,14	0,10	0,14	0,03	0,07
Net working capital, thsd UAH	Current assets - Current liability	>0	5540,3	2579,3	20012,9	30561,2	48061,4
The analysis of solvency							
Equity-To-Asset Ratio (Proprietary Ratio)	Net Worth ÷ Total assets	>0,5	0,30	0,12	0,80	0,72	0,80
Debt-To-Equity Ratio	Total liabilities ÷ Equity	<1	2,33	7,38	0,25	0,38	0,25
Working capital coverage ratio	(Equity-Non-current assets) ÷ Total current assets	>0,1	0,28	0,11	0,79	0,74	0,81
Equity maneuverability ratio	(long term liabilities+Equity-Non-current assets) ÷ Equity	>0	0,97	1,09	0,99	0,98	0,99
The analysis of main operating activity							
Total Asset Turnover Ratio	Net operating income ÷ Mean Assets	increase	3,78	3,88	4,83	3,83	3,88
Accounts Receivables Turnover Ratio	Net operating income ÷ Mean Account Receivables	increase	9,51	9,22	7,69	7,32	8,38
Accounts payable turnover ratio	COGS ÷ Mean accounts payable	increase	14,13	11,22	41,66	11,98	18,94
Accounts receivables collection period, days	360 ÷ Accounts Receivables Turnover Ratio	increase	37,87	39,05	46,81	49,21	42,96

continuation of appendix F

Indicators of the financial condition of the enterprise	Formulas	Bench- mark	Antyp values in 2015	Antyp values in 2016	Antyp values in 2017	Antyp values in 2018	Antyp values in 2019
The analysis of main operating activity							
Accounts payable collection period, days	$360 \div \text{Accounts payable turnover ratio}$	increase	25,47	32,07	8,64	30,05	19,01
Inventory Turnover Ratio	$\text{Net operating income} \div \text{Mean Inventories}$	increase	8,39	8,55	19,00	11,85	8,62
Fixed assets turnover ratio	$\text{Net operating income} \div \text{Mean non-current assets}$	increase	165,33	602,92	206,55	118,50	179,89
Working capital turnover Ratio	$\text{Net operating income} \div \text{Mean working capital}$	increase	12,91	29,85	6,08	5,48	4,91
The analysis of profitability							
Return on Assets	$\text{Net Profit} \div \text{Mean Assets}$	Increase	0,22	0,23	0,71	0,68	0,41
Return on Equity	$\text{Net Profit} \div \text{Mean Equity}$	Increase	0,75	1,90	0,89	0,91	0,50
Profitability ratio of activity	$\text{Operating profit} \div \text{Net operating income}$	increase	0,07	0,07	0,18	0,22	0,13
Profitability ratio of product	$\text{Gross Profit} \div \text{Net operating income}$	increase	0,12	0,14	0,20	0,23	0,14

Source: estimated by the author on the basis of company's financial statements

Vertical analysis of “Antyp” LLC assets 2015-2019, %

Assets	2015	2016	2017	2018	2019
I. Non-current assets					
Construction-in-progress	0,1	0,1	0,1	0,0	0,0
Fixed assets	1,6	0,5	2,3	3,2	2,1
acquisition cost	3,6	3,9	6,3	5,9	4,8
amortization	3,0	3,3	4,0	2,7	2,6
Total of section I	2,3	0,6	2,3	3,2	2,2
II. Current assets					
Inventories	45,0	45,3	25,4	32,3	45,0
Accounts receivable for goods, work, services (trade receivables)	38,7	40,6	62,5	52,3	44,7
Accounts receivable for settlement of budgetary payments	1,1	1,5	0,3	0,0	1,6
Other current receivables	2,1	1,9	5,1	6,7	0,0
Cash and cash equivalents	9,3	8,4	2,5	0,9	1,2
Deferred debit	1,2	1,4	1,7	1,1	0,8
Other current assets	0,3	0,3	0,2	3,5	4,5
Total of section II	97,7	99,4	97,7	96,8	97,8
III. Non-current assets classified as held sale	0,0	0,0	0,0	0,0	0,0
Total assets	100,0	100,0	100,0	100,0	100,0

Source: estimated by the author on the basis of balance sheet

Vertical analysis of “Antyp” LLC liabilities 2015-2019, %

Equity and liabilities	2015	2016	2017	2018	2019
I. Equity					
Issued (share) capital	4,8	4,5	3,6	2,1	1,5
Additional capital	0,0	0,0	0,0	0,0	0,0
Reserve capital	0,0	0,0	0,0	0,0	0,0
Retained earnings (uncovered loss)	25,3	7,4	76,3	72,7	79,5
Unpaid capital	0,0	0,0	0,0	0,0	0,0
Total of section I	30,0	11,9	79,9	74,8	81,0
II. Non-current (long-term) liabilities					
Total of section II	1,5	1,7	1,8	1,5	1,2
III. Current liabilities					
Short-term bank loans	0,0	0,0	0,0	0,0	0,0
Current accounts payable (long-term liabilities for):					
goods, works, services	17,9	21,7	5,0	18,0	15,3
settlement of budgetary payments	4,0	4,4	2,7	3,4	1,1
incl. income tax	2,2	4,3	1,2	3,2	1,0
insurance payable	0,1	0,1	0,1	0,1	0,2
wages and salaries payable	0,3	0,3	0,2	0,2	0,3
Other current liabilities	44,0	59,9	10,3	2,1	1,0
Total of section III	68,4	86,4	18,3	27,0	18,7
IV. Liabilities included in disposal groups classified as held for sale					
Total equity and liabilities	100,0	100,0	100,0	100,0	100,0

Source: estimated by the author on the basis of balance sheet

Beer export-import in countries of 4th group

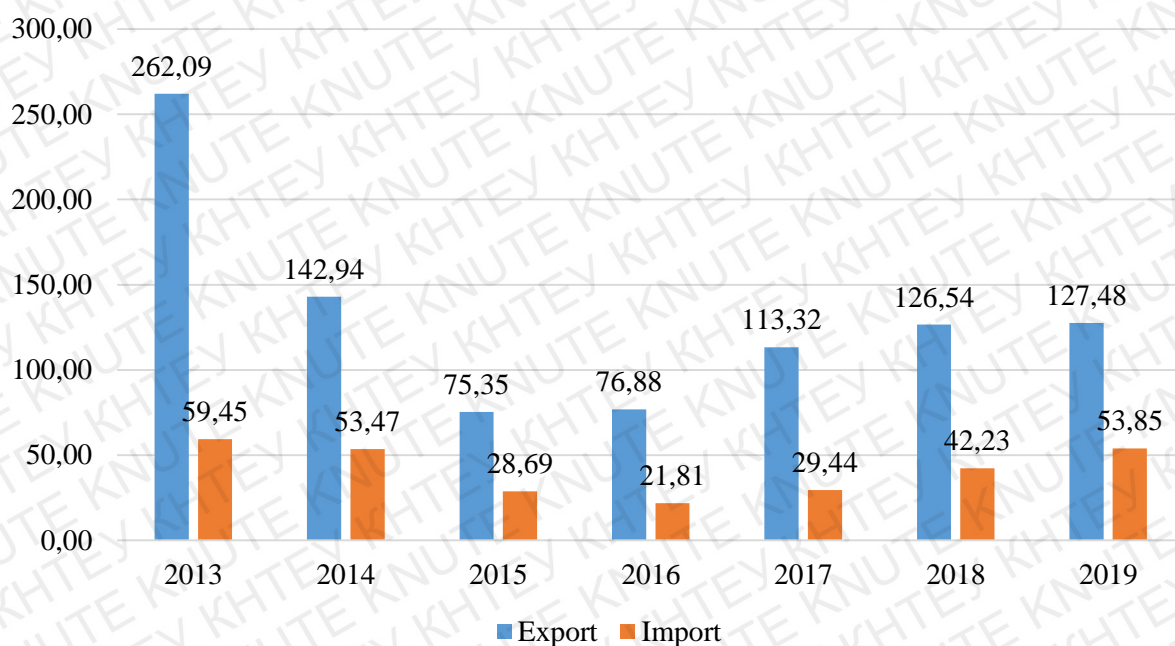


Figure I.1. Export and import of beer in Ukraine 2013–2019, mln dal.

Source: State Statistics Service of Ukraine, 2020

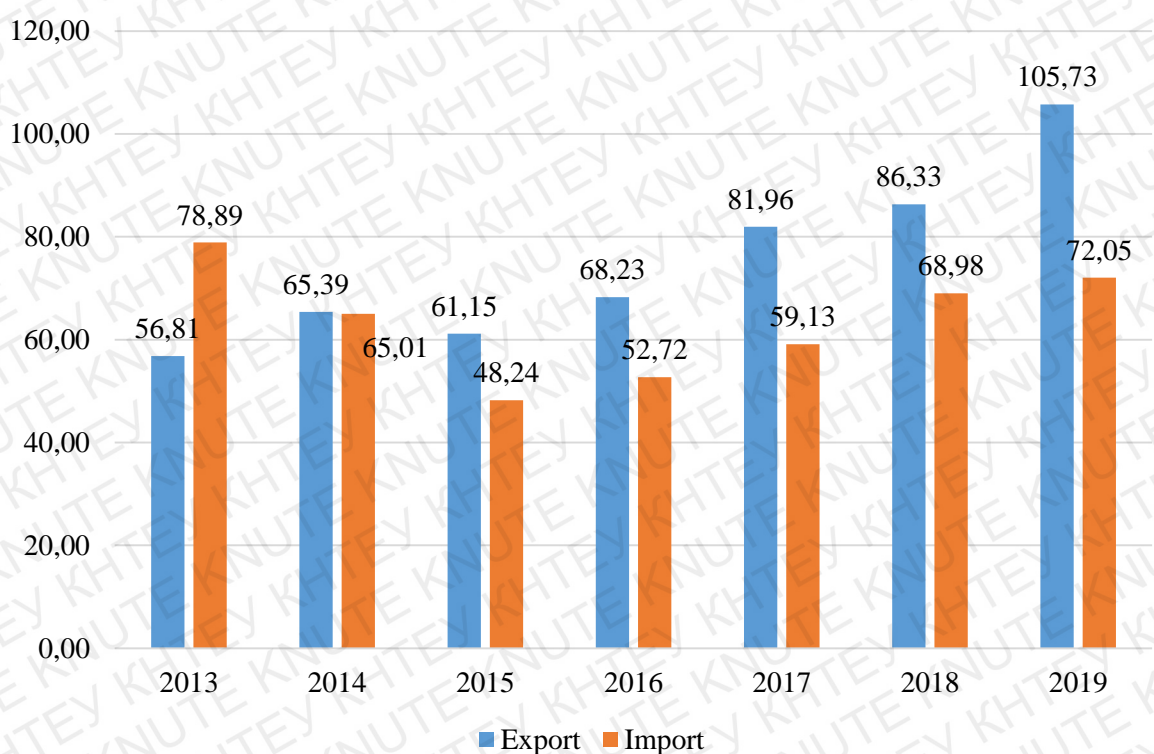


Figure I.2. Export and import of beer in Lithuania 2013–2019, mln dal.

Source: Eurostat, 2020

continuation of appendix I

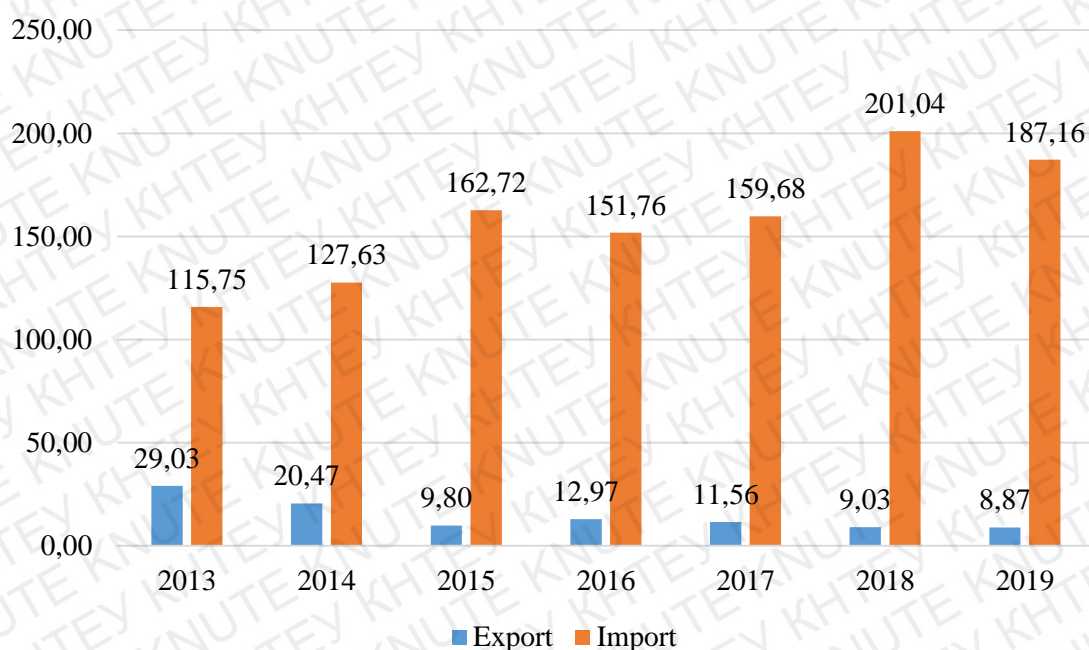


Figure I.3. Export and import of beer in Slovakia 2013–2019, mln dal.

Source: Eurostat, 2020

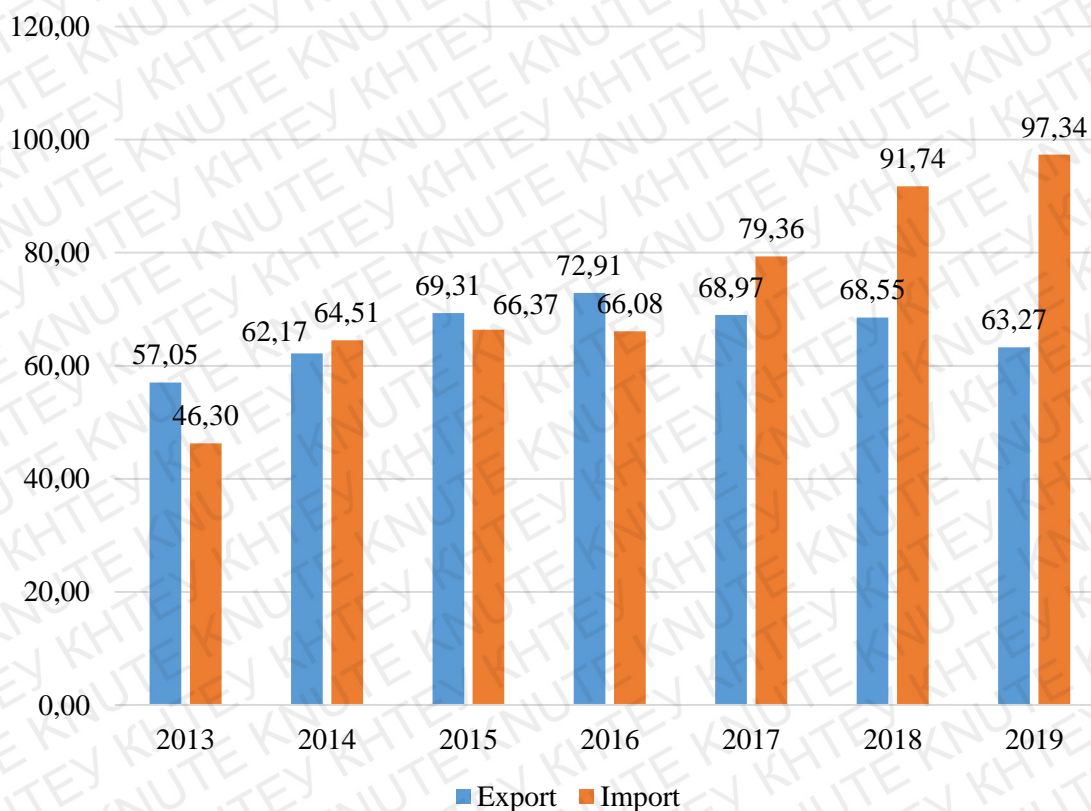
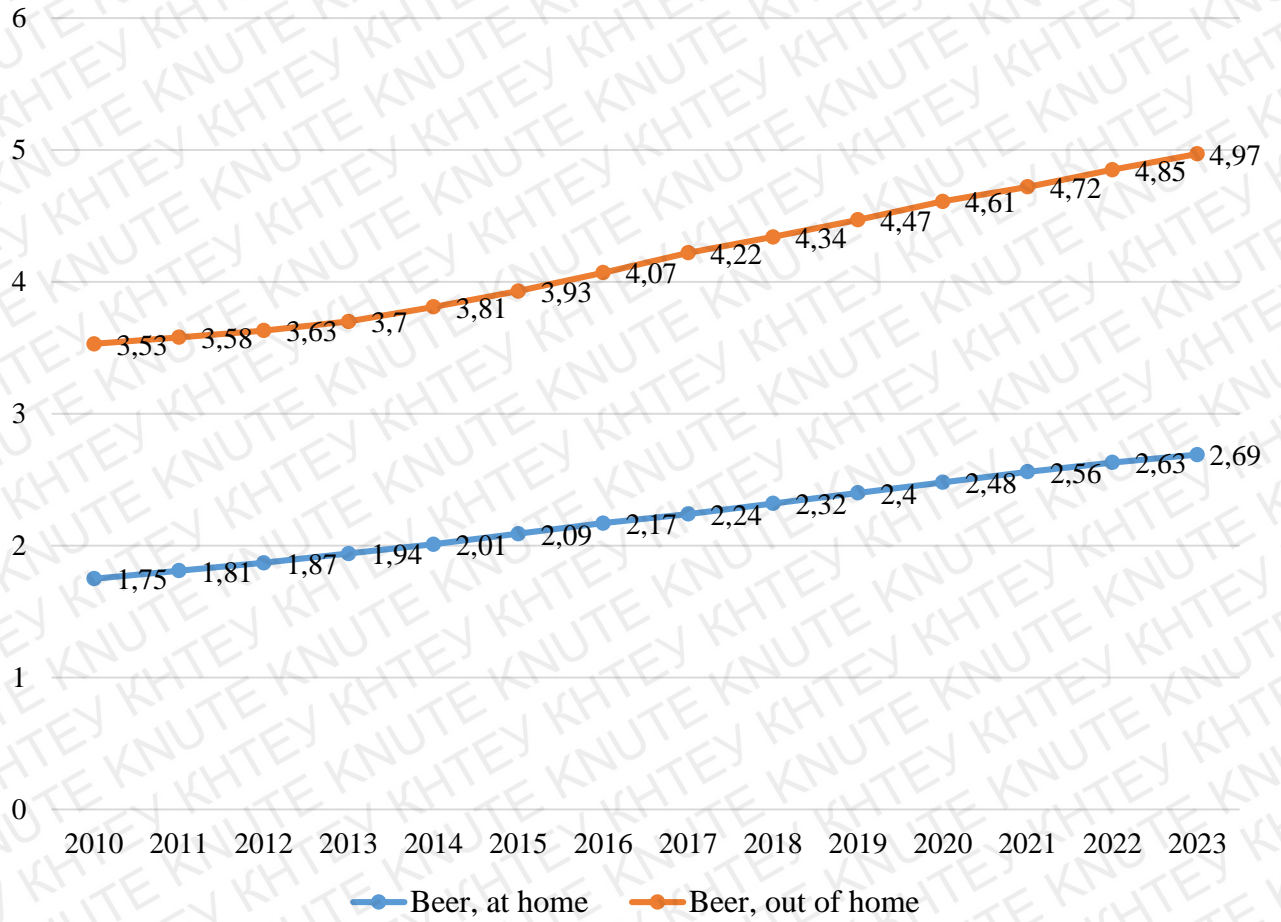


Figure I.4. Export and import of beer in Croatia 2013–2019, mln dal.

Source: Eurostat, 2020

Worldwide beer price per unit in 2010-2023, US\$



Source: Statista, 2020

Table K.1

World beer importing countries 2019

Rank	Importer	Beer Imports, thousand US\$	2018-2019
1	United States	5852894	+4,9%
2	France	1016873	+3,3%
3	China	820006	-9,3%
4	United Kingdom	663515	-8,8%
5	Italy	649900	-3,8%
6	Canada	546509	-4,7%
7	Germany	517193	-1,1%
8	Netherlands	491010	+11,6%
9	Spain	335566	-0,2%
10	Australia	331750	+4,9%

Source: World Top Imports, 2020

Table K.2

World beer exporting countries 2019

Rank	Importer	Beer Imports, thousand US\$	2018-2019
1	Mexico	4173399	-7,1%
2	Netherlands	2060477	+1,3%
3	Belgium	1969207	+9,2%
4	Germany	1342607	-2,6%
5	United States	805928	+19,8%
6	United Kingdom	639038	-2,2%
7	France	350883	-14,0%
8	Ireland	342256	+2,8%
9	Czech Republic	330557	+3,8%
10	Denmark	276470	-5,9%

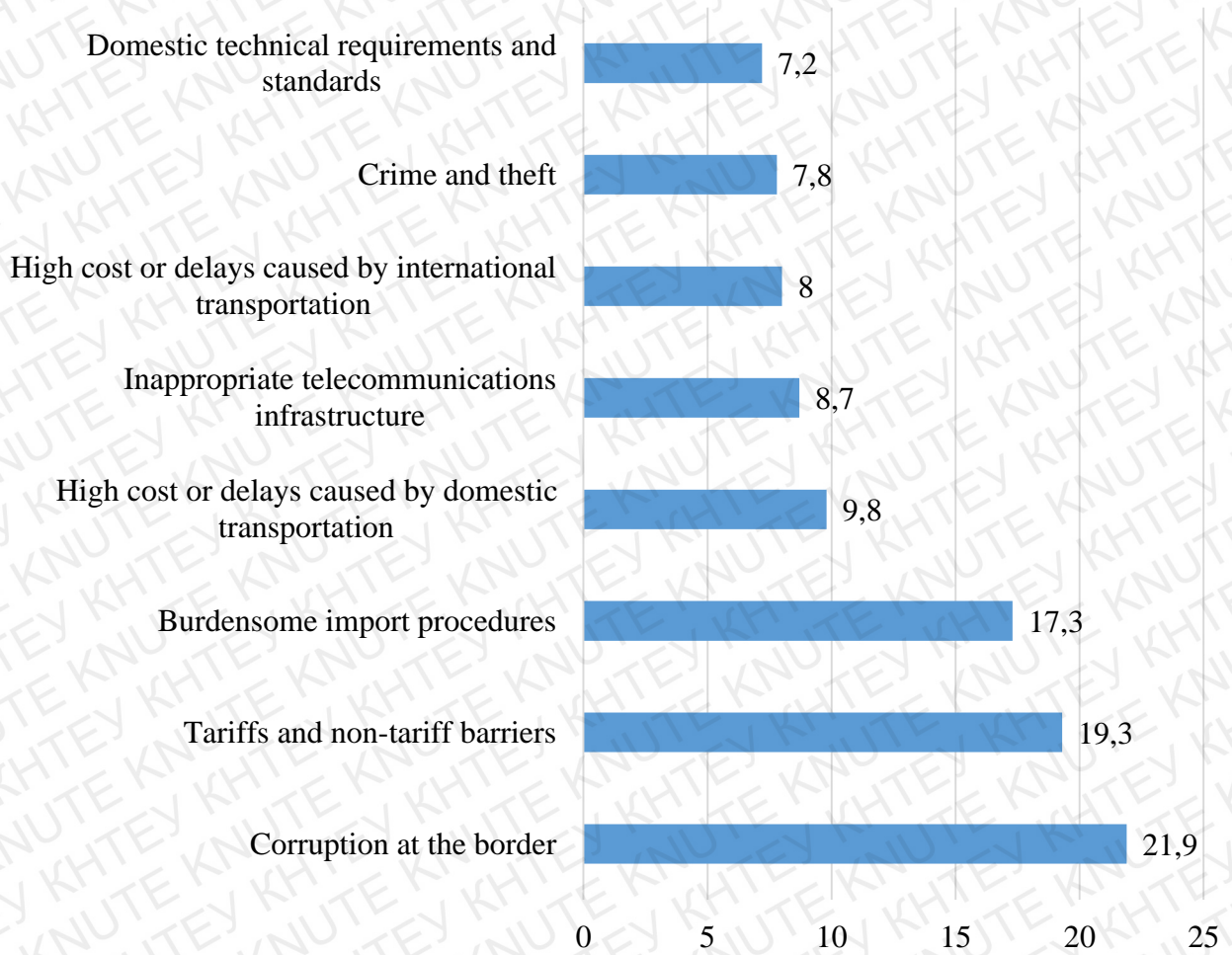
Source: World Top Exports, 2020

**Deviation of financial results from “Antyp” LLC
import activities (Czech Republic, Lithuania) for 2015–2019**

#	Indicators	Deviation 2016/2015		Deviation 2017/2016		Deviation 2018/2017		Deviation 2019/2018	
		absolute thsd UAH	rela- tive, %	absolute thsd UAH	rela- tive, %	absolute thsd UAH	rela- tive, %	absolute thsd UAH	rela- tive, %
1	Net income from sales of imported products, thousand UAH	-1894,80	-6,93	8630,46	33,91	22905,82	67,21	23215,37	40,74
2	Import costs, thousand UAH	-1537,30	8,44	-6556,26	33,20	16784,21	63,80	22312,20	51,78
3	Operating profit from import activities, thousand UAH	-3432,10	-37,58	2074,20	36,39	6121,61	78,74	903,17	6,50

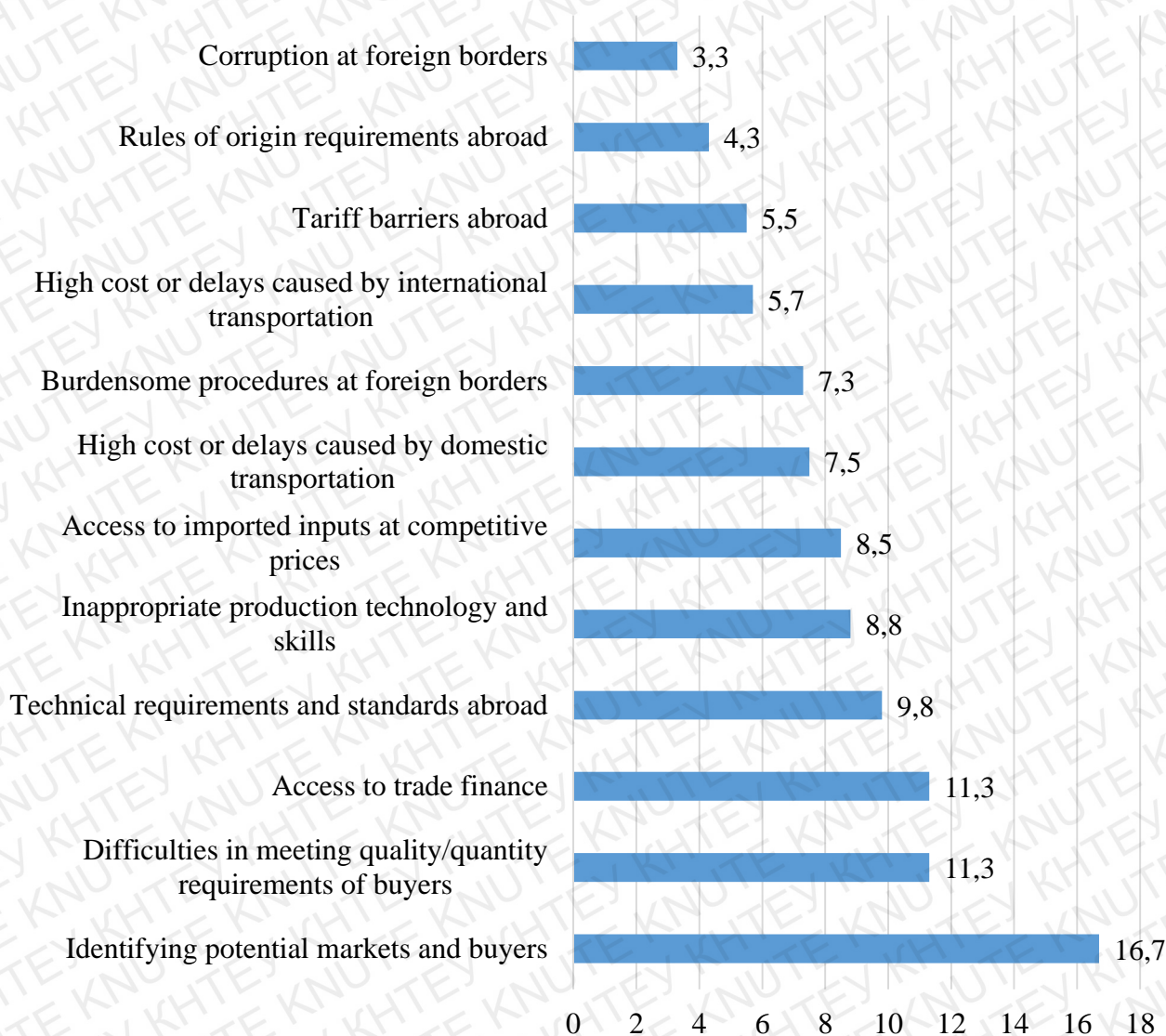
Source: estimated by the author on the basis of table 2.5

Most problematic factors for importing



Source: Global Enabling Trade Report, 2016

Most problematic factors for exporting



Source: Global Enabling Trade Report, 2016

**Key barriers to SME growth and business forum
recommendations G20 (Business Twenty, B20) to overcome them**

Access to international markets	Access to financing	Management and entrepreneurship skills	Access to the digital economy and innovative ecosystems	Business regulation reforms
ensuring compliance of SMEs with international standards in the field of labour resources, environment, social policy and quality; development of G20 visa programs for entrepreneurs in order to ensure greater mobility of SMEs	expanding and deepening access of SMEs to alternative sources of financing through the development and harmonization of standards and regulatory measures; improving the availability of reliable information on SMEs in order to reduce the risk of SME financing	development of vocational training programs aimed at improving management and entrepreneurial skills; strengthening entrepreneurial culture, in particular by supporting the development of networks of entrepreneurs and centres of excellence (best practices)	improving the digital infrastructure to obtain a broadband Internet connection; increase investment in next-generation digital networks; promoting cooperation between government, business and other education and science stakeholders to develop innovative ecosystems	ensuring regulatory measures that take into account the interests of SMEs; creating a friendly business environment for SMEs; digitalization of state regulation procedures to increase speed, transparency and ease of passage, reduce costs, and expand SMEs' access to public procurement

Source: Lisitsa & Stefaniuk, 2019

The types of foreign economic activity carried out in Ukraine by the subjects of this activity

#	The types of foreign economic activity
1)	export and import of goods, capital and labour;
2)	provision of services by foreign economic entities of Ukraine to foreign economic entities, including: production, freight forwarding, insurance, consulting, marketing, export, brokerage, brokerage, agency, consignment, management, accounting, auditing, legal, tourist and others that are not directly and exclusively prohibited by the laws of Ukraine; provision of the above services by foreign economic entities to the subjects of foreign economic activity of Ukraine;
3)	scientific, scientific and technical, scientific and production, production, training and other cooperation with foreign economic entities; education and training of specialists on a commercial basis;
4)	international financial transactions and securities transactions in cases provided by the laws of Ukraine;
5)	credit and settlement operations between subjects of foreign economic activity and foreign subjects of economic activity; creation of banking, credit and insurance institutions outside Ukraine by subjects of foreign economic activity; creation by foreign subjects of economic activity of the specified institutions in the territory of Ukraine in the cases provided by the laws of Ukraine;
6)	joint business activity between subjects of foreign economic activity and foreign subjects of economic activity, which includes creation of joint ventures of different types and forms, carrying out joint business operations and joint ownership of property both on the territory of Ukraine and abroad;
7)	business activity on the territory of Ukraine related to the granting of licenses, patents, know-how, trademarks and other intangible property by foreign economic entities; similar activity of FEA subjects outside Ukraine;
8)	organization and implementation of activities in the field of exhibitions, auctions, auctions, conferences, symposia, seminars and other similar events carried out on a commercial basis, with the participation of foreign economic entities; organization and implementation of wholesale, consignment and retail trade on the territory of Ukraine for foreign currency in the cases provided by the laws of Ukraine;
9)	barter transactions and other activities based on forms of countertrade between foreign trade entities and foreign economic entities;
10)	lease, including leasing, transactions between subjects of foreign economic activity and foreign subjects of economic activity;
11)	operations on purchase, sale and exchange of currency at currency auctions, currency exchanges and on the interbank foreign exchange market;
12)	work on a contractual basis of individuals of Ukraine with foreign economic entities both on the territory of Ukraine and abroad; work of foreign individuals on a contractual basis of payment with the subjects of foreign economic activity both on the territory of Ukraine and abroad;
13)	other types of foreign economic activity, not prohibited directly and exclusively by the laws of Ukraine.

Source: Article 4 of the Law on Foreign Economic Activity of Ukraine

The procedure for customs clearance of imported goods into the customs territory of Ukraine

#	The procedure for customs clearance
1.	The enterprise applies to the internal customs, to the cargo department, at the place of accreditation for registration of a prior notice for the import of goods. Appropriate payments must be made if necessary.
2.	If the compilation is correct, the declaration shall be drawn up by the customs and entered into the central database (CBD) within 4 hours after the declaration is made out.
3.	The goods arrive at the border. The carrier applies to the border customs.
4.	Border customs by reviewing the cargo customs declaration in the CBD verifies the information of the carrier and the cargo with those available in the database. The cargo is being inspected.
5.	The cargo is sent to the internal customs for further customs clearance. The CBD makes a note about the passage of cargo. The final customs clearance of the goods is carried out at the internal customs.
6.	At the internal custom the main key elements (blocks) of registration of goods at the internal customs are made: 1) determination of customs value; 2) determining the product code in accordance with Ukrainian classification of goods; 3) implementation of tariff and non-tariff regulation measures

Source: author, based on 321 article of Customs Code of Ukraine

Estimation of costs for proposed import operation of “Antyp” LLC

#	Costs	Calculations	Result
1.	Transportation cost	Considering as of 2019, the average price for diesel fuel in Ukraine is 23,53 UAH per 1 liter; average fuel consumption in a loaded truck of thirty tons = 30 l / 100 km; distance from the Kyiv customs to “Antyp” LLC is 12,6 km, the cost of transportation is: $30 \text{ liters} \cdot 4 \cdot 23,53 \text{ UAH} \cdot 0,126 =$ $= 355,77 \text{ UAH}$, subject to CIP Kyiv.	355,77 UAH
2.	The cost of unloading services	The cost of unloading services is 100 UAH per 1 ton. That is, for 200000 bottles of 0,5 liters = 10000,00 UAH have to be paid.	10000,00 UAH
3.	The cost of import duties	According to the legislation, the rate of import duty on beer in Ukraine is 0,05 euros per 1 liter. That is, if to import 20000 bottles of 0,5 liters, we have: 100000 liters $\cdot 0,05 \text{ €} / 1 = 5000 \text{ €}$. Taking into account the NBU exchange rate UAH / EUR 2019: $\text{€} 5000 \cdot 33,29 \text{ UAH/€} = 166450,00 \text{ UAH}$	166450,00 UAH
4.	Excise tax	Excise tax in Ukraine is UAH 2,78 per 1 liter. Therefore for 10000 l the excise duty is 27800 UAH.	278000,00 UAH
5.	Value added tax	The VAT rate in Ukraine 20%. According to formula: $\text{VAT} = (\text{CV} + \text{M} + \text{ET}) \cdot \text{VAT rate}$, $\text{VAT} = (2046960 + 166450 + 278000) \cdot 20\% =$ $498282,00 \text{ (UAH)}$	498282,00 UAH

Source: estimated by the author