ECONOMIC SECURITY OF UKRAINE
AND ENTITIES

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Winston Churchill: "Security must be paid, but its absence must be paid."

THE IMPACT OF THE EXTERNAL ENVIRONMENT ON THE ECONOMIC SECURITY OF UKRAINIAN BUSINESS

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Introduction. The study of the determinants of the economic security of a business is particularly relevant in times of crisis and numerous challenges. The stability of the economic activity of business entities depends on the influence of factors of the external business environment, in particular, unexpected changes in market conditions and operating conditions in a particular market segment, unfair competition, institutional deformations, the nature of interaction with public authorities and others. The dynamics of indicators of activity of business entities of Ukraine and their economic activity demonstrates the unpreparedness of business for modern challenges, vulnerability to crises and the accumulation of numerous internal imbalances. Creating a favorable business environment, as the basis of economic security for business, provides for the solution of problems of protecting the rights and balancing the interests of stakeholders, because economic security of business in modern conditions is one of the main competitive advantages of an economic entity and is a prerequisite for economic development of Ukraine. Therefore, the problem of identifying the determinants of economic security of a business that exerts an external influence on the formation of a dangerous level of economic security of business in Ukraine is being updated.

Overview of recent researches and publications. The study of the influence of the external environment on entrepreneurial activity from the perspective of management was considered by such scientists as F. Kotler, J.A. Caslione [2], M. Mescon, G. Duncan, P. Drucker. The problems of forming a business environment in Ukraine and the influence of socio-economic factors on the efficiency of business entities under institutional transformations are examined by M. Melnyk [3], I. Bila, N. Nasikan [4], S. Strashnyi [5]. A study of the conceptual foundations of economic security of an enterprise is given in the works by I. Blanca, S. Zhyvko, A. Kiritchenko, A. Iliashenko, H. Kozachenko, L. Shulzenko [9], T. Klebanov, H. Shvydianenko [10], N. Rovarchuk [11] and others. Highly appreciating the substantial developments and a rather high interest in the field of economic security of the enterprise, it should be noted that the problem of researching the economic security of business, as well as the determinants and the impact...
of the external environment on it, taking into account the constructive / destructive influence of factors and threats, remains outside the field of view of scientists.

**The purpose of the paper.** The aim of the article is to study the impact of the external environment on the economic security of business in Ukraine.

**The main body and results of the research.** A complex transformational process in the Ukrainian economy, which proceeds under the influence of global challenges, historical factors and economic laws, is prohibitively long in time, and in recent years has been accompanied by crisis phenomena and negative trends in the development of the business environment. For 29 years in Ukraine, the business has undergone numerous tests and continues to be in economic turbulence. As noted in business associations, it is virtually impossible to digitize potential losses due to a pandemic due to the difficulty of predicting the potential scale of the spread of the virus in Ukraine [1]. The characteristic of the external environment, the determination of its influence on the formation of business in Ukraine is determined by objective prerequisites and modern challenges. At the same time, the issue of the influence of the external environment on the economic security of business turned out to be the least developed in both theoretical and practical aspects.

The business as a process can exist only in an environment where external factors will directly be present, integrated and provide favorable conditions for its development.

Modern economic science gives reason to consider the business environment as a complex, multidimensional, multifunctional system, which is formed by economic entities and institutions, as well as legal, political, social, economic factors that create conditions for the functioning and development of business, the implementation of business relations, the use of potential, achieving the goals of business entities [2, 3, 4, p. 127-128]. By definition of the World Bank, a business environment consists of a set of institutional, regulatory and regulatory conditions in which a business operates [5, p. 62]

A feature of the business environment is that it has a territorial integrity, within which it is represented by business entities and institutions according to their interconnections and interrelations.

The business environment can be divided into two components: the direct impact environment and the indirect impact environment. The direct impact environment usually includes consumers, suppliers, intermediaries and competitors. The environment of indirect impact can be attributed to the economic, political situation, socio-demographic, natural, legal, technical and technological component of the environment [7].

Most often, it is the environment of indirect impact that determines managerial decisions aimed at the formation of the goals, strategies and tactics of the organization. However, it is necessary to always remember and take into account in practical activities, each of the components of the general environment of indirect impact in a particular situation can affect not only management technologies, but even the very possibility of a business.

Most often, a business company begins to think about its security only after significant problems have arisen and financial losses have affected. The solution of security issues is particularly acute under the influence of the external environment, dynamism and polystructure of globalization processes and constant challenges.

There is still no universally accepted definition of the content of the concept of “economic security of business”, and the available wording reflects only certain aspects of this broad concept.

The vast majority of scientists identify the content of the concept of "economic security of business" with the content of the concept of "economic security of the enterprise", despite the much wider meaning of this concept. The economic security of the enterprise reveals only the internal aspect of its provision, takes into account the influence of threats that are formed within the enterprise. The study of the content of the concept of “economic security of a business”, taking into account the conditions of the business environment, allows solving fundamentally new problems, the results of which help to strengthen its security and increase its ability to counteract threats, processes and phenomena at both the macro and micro levels.

The complex nature of the formation and development of the business environment and its dual object-systemic nature give rise to such a property as the keypad management. Therefore, there is a need to harmonize the interests of various influence groups (stakeholders). The desire to satisfy the interests of some stakeholders and infringe on the interests of others may adversely affect the economic security of business. At the same time, balancing the interests of various stakeholders is an important prerequisite for both creating a favorable business environment and economic security of the business.

The economic security of a business is considered from the perspective of a functional and protective approach as a condition for the functioning of a business entity under which a stable business development is ensured, efficient use of all types of available resources and entrepreneurial opportunities, harmonization of
business interests (protection of property rights, proper functioning conditions, perfect institutional support) aimed at protecting the business from the negative impact of internal and external threats and dangers.

Economic security of a business has various principles and approaches to management, and each approach has its own theory and concept. Own methods, procedures and mechanisms have been developed for them.

The purpose of economic security of a business as a direction in management is the condition for the existence of a business, in which an optimal state of protection against risks and threats is achieved in all functional areas of activity. Its task is the development and implementation of measures aimed at protecting the business from threats of internal and external environment [7].

The variety of processes that occur within business entities, the multiplicity and complexity of environmental factors determine a wide range of threats that can affect the economic security of a business.

Identification of the objects that require the most attention in the context of company security is one of the most fundamental issues in the field of business protection. From the standpoint of a protective approach, the main objects of business economic security are presented in Fig. 1.

![Diagram: Objects of Economic Security of Business]

**Fig. 1. Objects of economic security of a business from the standpoint of a protective approach**

The subjects of economic security of a business are those structures that can and should be involved in monitoring security facilities in order to prevent or repel emerging threats to the economic security of a business. Options for security entities are possible: company management or owners; an employee who has other job responsibilities (combination of functions); An employee in whose work this is part of the main job responsibilities; collegial deliberative body and employee for whom this work is included in the main job duties; external organization (outsourcing, subscription services); a mixed version of the above.

Ensuring the economic security of the business is achieved in various organizational ways: sometimes the owner of the company or its head is partially engaged, some enterprises use the services of specialized companies, transferring them the corresponding functions to outsource [11]. The effective building of the company's own protection system is, as a rule, hindered by the low level of knowledge among employees about this issue; lack of professional staff capable of independently organizing effective work to ensure the security of the company.

The negative factors for ensuring the economic security of business in Ukraine are identified (in decreasing order): corruption, political instability, inflation, inefficient state bureaucracy, difficult access to finance, frequent changes of governments, high tax rates, complexity of tax legislation, regulation of the foreign exchange market, inappropriate quality infrastructure, restrictive regulation of the labor market, insufficient ability to innovate, crime and theft, low legal awareness of personnel, poor quality of health care and insufficient education of workers.
The business environment determines how favorable the conditions for doing business are, in turn, determines the level of costs, efficiency and competitiveness of enterprises. The business climate in modern literature is understood as the administrative procedures for starting, running and terminating a business, protecting the property rights of investors, creditors and shareholders, antitrust regulation, supporting the development of small and medium-sized businesses, and the like. At the enterprise level, the business environment affects costs, at the industry level, on the market structure and competition at the national economy level, on the country's attractiveness for foreign investors [13].

To determine the features and development status of key elements of the business environment, specialists use a number of global ratings, which are determined by international organizations, foundations, leading universities and companies.

Traditionally, the Ukrainian economy is considered unfavorable for doing business, including small and medium-sized ones [14]. The study, which is carried out by the World Bank and is called “Doing Business,” assesses the regulatory climate in the country, or how any changes in legislation are being introduced in order to improve entrepreneurial activity. This rating covers 190 countries, as part of the study, an assessment was carried out on 10 indicators.

Each indicator has equal weight. At the same time, such variables as macroeconomic policy, quality of infrastructure, qualification of the workforce, fluctuations in exchange rates, investor opinions, security and corruption are not taken into account. Thus, the conditions for organizing and conducting business are considered without taking into account political aspects, exclusively at the level of state regulation. In the final rating, all countries are ranked according to the level of favorable business conditions, where a country's high position means that its regulatory climate favors doing business.

The general place of Ukraine in the Rating and indicators in ten areas are shown in table 1 [6].

<table>
<thead>
<tr>
<th>Key indicators</th>
<th>2019</th>
<th>2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall ranking</td>
<td>71</td>
<td>64</td>
<td>7</td>
</tr>
<tr>
<td>Registration of enterprises</td>
<td>56</td>
<td>61</td>
<td>-5</td>
</tr>
<tr>
<td>Obtaining building permits</td>
<td>30</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Electrical connection</td>
<td>135</td>
<td>128</td>
<td>7</td>
</tr>
<tr>
<td>Property Registration</td>
<td>63</td>
<td>61</td>
<td>2</td>
</tr>
<tr>
<td>Obtaining loans</td>
<td>32</td>
<td>37</td>
<td>-5</td>
</tr>
<tr>
<td>Investor Protection</td>
<td>72</td>
<td>45</td>
<td>27</td>
</tr>
<tr>
<td>Taxation</td>
<td>54</td>
<td>65</td>
<td>-11</td>
</tr>
<tr>
<td>International trade</td>
<td>78</td>
<td>74</td>
<td>4</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>57</td>
<td>63</td>
<td>-6</td>
</tr>
<tr>
<td>Solvency recovery</td>
<td>145</td>
<td>146</td>
<td>-1</td>
</tr>
</tbody>
</table>

After analyzing the data of Table 1, it can be argued that with an increase in the overall rating by 7 positions, Ukraine showed growth in five indicators: the indicator “protection of investor rights” increased by 27 positions (from 72 to 45). Ukraine has strengthened the protection of minority investors, requiring a more detailed disclosure of data on transactions of companies with interested parties that may be associated with majority owners; the indicator “obtaining building permits” increased by 10 positions (from 30 to 20). Ukraine has simplified the process of obtaining building permits. The indicator “connection to electric networks” increased by 7 positions (from 135 to 128). The indicator “international trade” increased by 4 positions (from 78 to 74). Ukraine has reduced import time by simplifying the requirements for certification of conformity of auto parts. The indicator “registration of ownership” increased by 2 positions (from 63 to 61).
In five other areas, not enough reforms have been carried out, so Ukraine’s position declined: taxation (65 position), enforcement of contracts (63 position), registration of enterprises (61 position), restoration of solvency (146 position), obtaining loans (37 position).

Ukraine has improved its position in the Doing Business-2020 rating by seven positions and now occupies 64th place (Fig. 2). Neighboring with Ukraine 63rd place was taken by India, and 65th by Puerto Rico. Moreover, all the geographical neighbors of Ukraine have the best indicators in this rating. So, Russia took 28th place, Poland – 40th, Belarus – 49th, Romania – 55th. The leader of the rating is New Zealand.

![Fig. 2. The place of Ukraine and the world in the Doing Business-2020 index*](image)

* Compiled according to Doing Business [6]

Changes in the business environment are reflected in the dynamics of the number of business entities. So, in Ukraine, according to the State Statistics Service, in 2018 the total number of business entities amounted to 1839593 units, which is 34 534 units more than the corresponding indicator in 2017 (Fig. 3).

Despite the fact that in recent years the number of business entities has grown slowly, that is, the situation has improved, this suggests that an increase in their number indicates an improvement in the business environment.

![Fig. 3. The number of business entities in Ukraine for 2010 - 2018](image)

* Compiled according to the State Statistics Service of Ukraine [16]
The number of business entities in Ukraine is an effective indicator and indicator of the state of the business environment, which is characterized by the presence of significant institutional deformations. The institutional, regulatory and regulatory conditions under which a business operates in Ukraine should contribute to the effective functioning of the business environment, the development of small and medium-sized businesses, stimulation of entrepreneurial activity and the rapid response and adaptation of business entities to modern challenges. But the institutions that should contribute to ensuring the economic security of business in Ukraine are rather poorly developed, the corresponding economic entities usually do not act as real market power, do not fulfill the functions assigned to them, which shows the destructive influence of the external environment and reveals the need to ensure the economic security of business as a component of socio-economic development and prerequisites for achieving the national economic interests of Ukraine.

**Conclusions.** According to the results of summarizing quantitative indicators of entrepreneurship development, there is every reason to argue that the level of economic security of business in Ukraine is low. This is evidenced by the low financial result from ordinary activities before taxation, the low level of profitability of operating activities of enterprises, the excess of accounts payable over accounts receivable, an increase in the share of enterprises that do not carry out financial and economic activities, the majority of unprofitable enterprises, which account for more than a third of all entities economy, had an average monthly wage per employee and the like.

Moreover, in Ukraine and its regions, a favorable business environment has not yet been created to ensure the economic security of business. The problems and obstacles that remain characteristic of our state, such as a low level of protection of investors’ interests, hinder the processes of both internal and external investment and prevent the proper updating of the material and technical base of domestic enterprises, technical modernization of the economy; the underdevelopment of the credit information system is one of the obstacles to the further development of the domestic lending system, including in the areas of: accelerating lending operations, improving trust between financial institutions and business entities, reducing the cost of credit resources (its range, availability, volumes of information on lending to legal entities available in public registries or private bureaus); the critically low efficiency (with respect to stimulating business activity of the population) of the taxation system makes it virtually impossible for enterprises to obtain high rates of financial and economic efficiency, does not contribute to the capitalization of enterprises, and their “transparent” entrepreneurial and financial activities.

**REFERENCES:**


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Онищенко Світлана Володимирівна, доктор економічних наук, доцент. Маслій Олександра Анатоліївна, кандидат економічних наук, доцент. Богдан Іванов, аспірант. Національний університет «Полтавська політехніка імені Юрія Кондратюка». Вплив зовнішнього середовища на економічну безпеку бізнесу в Україні. Досліджено вплив зовнішнього середовища на економічну безпеку бізнесу в Україні, яка визначається низкою детермінант, що визначають зміст, структуру та рівень її забезпечення. Розглянуто бізнес-середовище як складну, багатовимірну, поліфункціональну систему, визначено його особливості та складові частини. Охарактеризовано детермінанти середовища прямого та непрямого впливу на економічну безпеку бізнесу. Запропоновано розглядати зміст поняття «економічної безпеки бізнесу» з позиції функціонального та захисного підходів з урахуванням умов ведення бізнесу, що дозволяє вирішувати принципово нові завдання зі зміцнення його безпеки та підвищення здатності протидіяти загрозам і небезпекам як на макро-, так і на мікрорівнях. Визначено мету, об’єкти та суб’єкти економічної безпеки бізнесу, узагальнено організаційні способи забезпечення економічної безпеки бізнесу з позицій захисного підходу. Доведено, що збалансованість інтересів різних стейкхолдерів є важливою передумовою як формування сприятливого бізнес-середовища, так і економічної безпеки бізнесу. Систематизовано основні негативні чинники, що впливають на забезпечення економічної безпеки бізнесу в Україні з урахуванням глобального рейтингу умов організації та ведення бізнесу. Проведено аналіз динаміки ключових показників регуляторного клімату в Україні, визначено конструктивний та деструктивний вплив чинників зовнішнього середовища на економічну безпеку бізнесу. Здійснено оцінювання місця України та країн світу за індексом «Doing Business-2020». Узагальнено кількісні показники розвитку підприємництва та доведено, що економіка України є несприятливою для ведення бізнесу, зокрема малого та середнього. Зазначено, що в Україні та її регіонах все ще не створено сприятливого бізнес-середовища для забезпечення економічної безпеки бізнесу, й визначено її детермінанти. Обґрунтовано необхідність забезпечення економічної безпеки бізнесу як складової соціально-економічного розвитку та передумови досягнення національних економічних інтересів України.

**Ключові слова:** економічна безпека бізнесу, бізнес-середовище, бізнес-клімат, умови ведення бізнесу, детермінанти економічної безпеки, виклики, загрози.
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Онищенко Світлана, ДСc в економіці, асіянт професор. Маслій Олександра, PhD в економіці, асіянт професор. Ivaniuk Bohdan, науковий асіянт. Національний університет «Полтавська політехніка». The Impact of the External Environment on the Economic Security of Ukrainian Business. The influence of the external environment on the economic security of business in Ukraine is studied, a number of determinants determining the content, structure and level of its provision are determined. The business environment as a complex, multidimensional, multifunctional system is considered, its features and components are defined. The determinants of the environment of direct and indirect impact on the economic security of business are characterized. It is proposed to consider the content of the concept of “economic security of a business” from the position of a functional and protective approach, taking into account the conditions of the business environment, and it allows solving fundamentally new tasks to strengthen its security and increase its ability to counteract threats and dangers at both the macro and micro levels. The goals, objects and subjects of economic security of the business, generalized organizational ways of ensuring economic security of the business from the position of a protective approach are defined. It is proved that balancing the interests of various stakeholders is an important prerequisite for the formation of a favorable business environment and economic security of the business. The main negative officials have been systematized, which will contribute to securing an economically safe business in Ukraine due to the global rating of the minds of the organization of business intelligence. The analysis of the dynamics of key indicators in the regulatory climate in Ukraine was carried out, the constructive and destructive inflow of officials of the traditional middleware to an economic safety net is marked. The authors made the evaluation of the place of Ukraine and countries of the world behind the index “Doing Business-2020“. Quantitative indicators are summarized that the development of the economy has been brought up, so that the economy of Ukraine is unsightly for the business, the small and medium size. It is designated that in Ukraine and in the regions there has not yet been set up a hospitable business means for securing an economically safe business, and it is designated a determinant. The necessity of ensuring the economic security of business as a component of socio-economic development and the prerequisites for achieving the national economic interests of Ukraine is substantiated.

Key words: economic security of the business, business environment, business climate, business conditions, determinants of economic security, challenges, threats.

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Онищенко Світлана Владимировна, доктор економічних наук, доцент. Маслій Александра Анатольвна, кандидат економічних наук, доцент. Богдан Іванюк, аспірант. Національний університет «Полтавська політехніка». Впливовийляєннасьредиі наекономічнуюбезпекубізнесавУкраїні. Доказано впливовийляєннасьредиінаекономічнуюбезпекубізнесавУкраїні, опіреднєтьсярядомдетермінант, опіредніючиходержання,структуруіуровеньеєїобепечення. Рассмотрено бізнес-среду як сложную, многомерную, полифункциональную систему, определены ее особенности и составные части. Охарактеризованы детерминанты среды прямого и косвенного воздействия на экономическую безопасность бизнеса. Предложено рассматривать содержание понятия «экономической безопасности бизнеса» с позиции функционального и защитного подходов с учетом условий бизнес-среды, позволяет решать принципиально новые задачи по укреплению его безопасности и повышения способности противодействовать угрозам и опасностям как на макро-, так и на микроуровне. Определены цели, объекты и субъекты экономической безопасности бизнеса, обобщенно организационные способы обеспечения экономической безопасности бизнеса с позиций защитного подхода. Доказано, что сбалансированность интересов различных стейкхолдеров является важной предпосылкой как формирование благоприятной бизнес-среды, так и экономической безопасности бизнеса. Систематизированы основные негативные факторы, влияют на обеспечение экономической безопасности бизнеса в Украине с учетом глобального рейтинга условий организации и ведения бизнеса. Проведен анализ динамики ключевых показателей регуляторного климата в Украине, определены конструктивный и деструктивный вплив факторов внешней среды на экономическую безопасность бизнеса. Осуществлен оценивание места Украины и стран мира по индексу «Doing Business-2020». Обзор количественные показатели развития предпринимательства и доказано, что экономика Украины является неблагоприятной для ведения бизнеса, в том числе малого и среднего. Отмечено, что в Украине и ее регионах все еще не создано благоприятной бизнес-среды для обеспечения экономической безопасности бизнеса, и определены ее детерминанты. Обоснована необходимость обеспечения экономической безопасности бизнеса как составляющей социально-экономического развития и предпосылки достижения национальных экономических интересов Украины.

Ключевые слова: экономическая безопасность бизнеса, бизнес-среда, бизнес-климат, условия ведения бизнеса, детерминанты экономической безопасности, вызовы, угрозы.