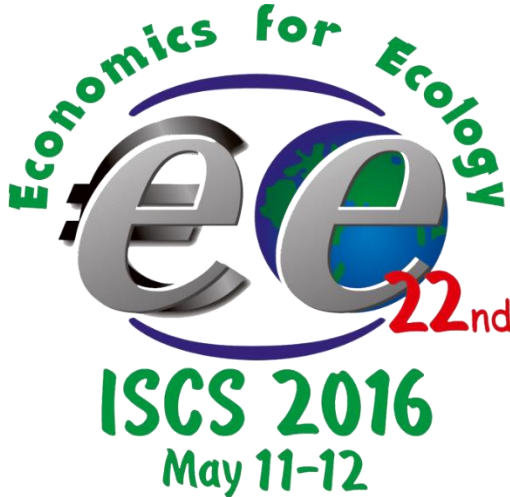


Ministry of Education and Science of Ukraine
Sumy State University
Oleh Balatsky Academic and Scientific Institute of Finance,
Economics and Management

22nd International Scientific Conference
"Economics for Ecology"
ISCS'2016



Економіка для екології

Матеріали
XXII Міжнародної наукової конференції
(Україна, Суми, 11-12 травня 2016 року)



Суми
Сумський державний університет
2016

Today there are some problems that prevent private owners from active use of renewables. Here belong high cost technologies; inadequacy of government policy; difficulty in joining such facilities to Oblenergo power grids, etc. Such mechanisms as taxes, tariffs, subsidies, administrative mechanisms, etc. can encourage energy efficiency and alternative energy production in Ukraine.

References:

1. Green Tariff implementation projects for individuals and legal firms. Earnings on alternative energy. 2016 [Electronic resource]. – Access mode <http://www.ecosvit.net/ua/zeleniy-tarif> (in Ukrainian)
2. Green Tariff. The method not only save, but also to earn! 2016 [Electronic resource]. – Access mode http://solarfamily.com.ua/en/zelenyj_tarif

**MACROECONOMIC BASIS OF DOMESTIC BUSINESS
DEVELOPMENT: PROBLEMS AND RISKS**

Yaryna Mnykh, Tetyana Kulinich

Lviv Polytechnic National University, Lviv, Ukraine

Any organization is located and operates in the environment. Macroenvironment creates general conditions of organization being [1]: as it can provide opportunities of expansion, it can also be a cause of restriction and forced changes in the company. The events in Ukraine since 2013 and till the present have been significantly changing, complicating the functioning of many businesses – Russian military aggression in Crimea and Eastern Ukraine has become a key factor in the destabilization of economic system and transformation of foreign economic activity of our country. It can be noted that Russian aggression has become a factor of significant strengthening of negative trends in the dynamics of basic macroeconomic indicators (GDP, exchange rate, inflation, budget deficit, foreign exchange reserves, strategic reserves of certain types of resources). Accordingly, the current situation in the country is a source of challenges for businesses.

Considering political and economic instability in the country, the most important factors of the macroeconomic environment that have determining influence on Ukrainian enterprises are further devaluation of hryvnia; increasing of inflation and reducing consumption in the domestic market;

pressure from regulatory authorities; corruption; government instability, possibility of early elections; constant changes in legislation, its inconsistency and ambiguity in the interpretation; dual effects of reforms, that were carried out for International Monetary Fund (IMF) request.

Deterioration of macroeconomic situation in the country is proved by statistics: inflation in Ukraine in 2015 (Dec. 2015 to Dec. 2014) was increased to 43.3% in comparison with inflation at 24.9% in 2014 and was reached its maximum value over the past 20 years. The fall in GDP of Ukraine, in general, for 2015 in comparison with the previous year (at constant prices of 2010), without occupied areas of Crimea and ATO, was increased to 9.9% from 6.8% [2].

As appeared, the most sensitive to the political situation are investments. Foreign and domestic investors are hesitating to invest their capital in the Ukrainian economy, because there are no political and legal stability, therefore – no security guarantees for investors and high probability of risk.

Changes in exchange rates also have impact on the competitiveness of enterprise, especially if it exports products to the world market or buys raw materials there. After all, when the value of hryvnia in relation to other currencies is low, the goods, produced in Ukraine, are relatively inexpensive, that reduces threat of market capture by foreign competitors. However, considering that unstable national exchange rate is always changing: in the first days of January 2016 exchange rate on the interbank market fluctuated around the level of 23.5 UAH / USD, then on April 22 it reached to 25.35 UAH / USD [2]. So, falling of national currency causes reduction in sales in the companies, as with increasing prices for raw material the cost of production will be higher and as a result – higher selling price.

Also the other significant factor, that affects business, can be double consequences of reforms, which are carried out at the request of the IMF, as guarantee of getting a new loan. In particular, the reform of fiscal and tax policy, which main purpose was to optimize state budget, so, in general, it was scheduled to reduce unnecessary costs and embezzlement. However, in the end, everything was erected to higher taxes and cuts in payments from the state budget. Actually with low sales producers will not be able to manage increased taxes with their own resources, so, they will be laid in the price of goods, and therefore this will fall on the consumer, whose purchasing power have been already low.

Reforms in banking system also gave a double result. The main objectives of this reform was "cleaning" of banking sector, increasing its transparency, reducing level of connected lending, increasing banks capitalization and improving creditors protection [3]. However, implementation of this reform was accompanied by massive closure of Ukrainian banks, and as a result, the banking system of Ukraine had collapsed: problems with lending and a large number of Ukrainian businessmen have lost their money in banks. And if banking system can not function properly, the business can't either.

Also a big hit for business are high prices for energy resources in Ukraine. There were several consequences of implementation of energy reforms: 1) increasing energy tariffs for households to market levels until April 2017; 2) formation of very high prices for using energy and its further increasing in five stages [2], that just kills domestic business and making it unprofitable.

Thus, the analysis of modern macroeconomic climate, which is formed in Ukraine, shows a number of macroeconomic challenges and risks that have a negative impact on business activity. Enhancing of economic crisis, armed riots in the east of Ukraine and sometimes wrong government decisions are leading to instability and increasing levels of risks, and this, in turn, plays a decisive role in the normal functioning of enterprises in our country. Identification of these threats will allow domestic businesses to adapt better and survive in the current unstable environment.

References:

1. Sitnik, I. S. (2009), "Importance of external and internal factors of environment in strategies selection of enterprises", [Online], available at: http://www.rusnauka.com/8_DNI_2009/Economics/42324.doc.htm (Accessed 22 April 2016).
2. The official site of UNIAN (2016), available at: <http://www.unian.ua> (Accessed 24 April 2016).
3. The official site of Ekonomichna pravda (2016), available at: <http://www.epravda.com.ua> (Accessed 24 April 2016).