

FINANCIAL MECHANISM OF STATE SUPPORT FOR ENTREPRENEURSHIP IN UKRAINE

Iryna Forkun¹

DOI: <https://doi.org/10.30525/978-9934-26-436-8-24>

Abstract. Financial support for the development of entrepreneurship is an economic prerequisite for its activity and, as a result, we get market saturation with goods, works and services. Support and development of entrepreneurship acquire special importance in the conditions of crisis phenomena of the national economy, uncertainty of state economic policy, and increasing influence of external challenges and threats, in particular, such as the war with Russia. Given the current state of market development and the existing risks of financial support for the development of entrepreneurship in Ukraine, the importance of researching the outlined problematic issues is increasing. Under these conditions, the issue of implementing a systemic approach to the development and implementation of the policy of state financial support of business structures, which should be a prerequisite for economic and political stabilization in the country, contributes to the growth of the material potential of society, create new jobs and contribute to the growth of GDP, is becoming an actual issue. *The purpose of the study* is to substantiate the theoretical and methodological provisions for the implementation of the financial mechanism of state support for entrepreneurship in Ukraine, as well as the development of practical recommendations for its improvement in modern economic conditions. The subject of the study is the theoretical-methodical and applied aspects of the financial mechanism of state support for entrepreneurship in Ukraine. The research methodology is based on the use of general scientific and special research methods, in particular: dialectical – to identify regularities, principles and factors promoting the development and state support of entrepreneurship; system analysis – to

¹ PhD in Technical Sciences,
Associate Professor at the Department of Finance, Banking,
Insurance and Stock Market,
Khmelnyskyi National University, Ukraine

reveal the essence of the components of the financial mechanism of state support for entrepreneurship; comprehensive analysis – to assess the state of development of entrepreneurship and its state support in Ukraine; graphic analysis – for a schematic display of generalized theoretical and practical provisions of the work; logical generalization of the results – for the development of recommendations for increasing the efficiency of the use of the financial mechanism of state support for entrepreneurship in Ukraine. According to the *results of the conducted research*: the category-conceptual apparatus of the theory of entrepreneurial activity gained further development in terms of clarifying the concept of "financial mechanism of state support for entrepreneurship"; systematized and generalized regulatory, legal and institutional support for the financial mechanism of state support for entrepreneurship, which made it possible to comprehensively assess internal (strengths and weaknesses) and external (favorable opportunities and threats) factors restraining the development of entrepreneurial activity; the theoretical and methodological provisions regarding the definition of the components and justification of the main areas of increasing the efficiency of the financial mechanism of state support for entrepreneurship have been improved; a practical evaluation of the implementation of state support for entrepreneurship at the regional level (on the example of the Khmelnytskyi region) made it possible to determine the socio-economic effect of providing financial and credit support for entrepreneurship. *The value* of this research lies in the fact that the formulated theoretical propositions, conclusions, and recommendations can serve as a basis for improving strategies and technologies for stimulating financial support of entrepreneurship at the state and regional levels, and their implementation will allow obtaining a socio-economic effect from the implementation of financial and credit support for entrepreneurship.

1. Introduction

Crisis phenomena occurring in the economy of Ukraine encourage the search for ways to increase the efficiency of its functioning using various forms of management. One of these forms is entrepreneurship because it is an important system-forming element of the functioning of any economic system. Although the processes of entrepreneurship

development in Ukraine began with the beginning of independence, its functioning and development support are in an unsatisfactory state. This is primarily due to inadequate financial support, an ineffective tax mechanism, and the war in the country, which is ultimately the result of an ill-considered and unfounded state regulatory policy in the field of business. These factors hinder the development of domestic business entities, and therefore the study of the problems of the functioning of the financial mechanism of state support for entrepreneurship in Ukraine to increase the competitiveness of entrepreneurship and promote their development becomes particularly relevant.

Problems of the functioning of entrepreneurship were and remain the object of research by scientists from many countries around the world. A significant contribution to the development of the theory of entrepreneurship was made by the following classics of economic science: A. Marshal, A. Smith, J. Schumpeter, and others. The works of the following foreign scientists are devoted to the study of theoretical and applied problems of entrepreneurship: O. Anisimov, O. Vilenskyi, V. Gamza, O. Gorshenin, A. Kovaleva, K. Kuntse, M. Lapusta, O. Malieva, and others. After the declaration of Ukraine's independence, when the stage of formation of the legal field for entrepreneurial activity began, the interest of domestic scientists in researching the financial aspects of the functioning of entrepreneurship increased. The following leading Ukrainian scientists devoted their works to these questions: O. Baranovskiy, L. Botsora, Z. Varnalii, I. Vlasenko, O. Grigorash, O. Derenko, M. Krupka, E. Libanova, V. Kmit, S. Mocherny, Z. Patora-Vysotska, Zh. Poplavska, S. Reverchuk, O. Skoruk, I. Fedoseyenko, O. Tarasova, A. Khoronzhyy, O. Cherep, O. Yakusheva and others.

Despite a significant amount of research in this area, the problems of the financial mechanism of state support for the development of entrepreneurship have not been sufficiently studied. The tasks of identifying relationships between financial indicators of entrepreneurship development and micro-, macroeconomic and institutional indicators remain unresolved. That is why the need for a thorough study of the theoretical foundations and applied aspects of the financial mechanism of state support for entrepreneurship determined the relevance of the chosen research topic.

The purpose of the study is to substantiate the theoretical and methodological provisions for the implementation of the financial mechanism of state support for entrepreneurship in Ukraine, as well as to provide practical recommendations for its improvement in modern economic conditions.

According to the goal, the following tasks are set in the work:

- to investigate the essential characteristics and role of entrepreneurship in the national economy;
- to systematize types of state support for business entities and factors of their sustainable development;
- to define and characterize the components of the financial mechanism of state support for entrepreneurship in Ukraine;
- to carry out an analytical and practical assessment of financial state support for business entities in Ukraine at the macro- and microeconomic levels (based on the materials of the Regional Fund for the Support of Entrepreneurship in the Khmelnytskyi Region) in 2020–2022;
- to propose ways to improve the efficiency of the financial mechanism of state support for entrepreneurship in Ukraine.

During the research, general scientific and special methods were used, namely: dialectical, systemic, complex and graphic analysis, and logical summarization of the results, which allowed a comprehensive approach to the solution of the set goal and tasks, to visually display the financial and economic indicators of the activities of business entities, the results of the studies and generalizations regarding the functioning of the financial mechanism of state support for entrepreneurship in Ukraine.

2. Entrepreneurship and its role in the national economy

The effectiveness of the country's economy lies in the creation of such conditions in which hundreds of thousands of entrepreneurs and managers constantly search for something new and function in a competitive business environment. Regional and state management attaches great importance to business entities from the position of unique opportunities for the economic and social development of regions. Understanding the place and role of entrepreneurship in national and regional development is key in the conditions of decentralization, it is gradually expanding, supplemented by

world experience and the active influence of the processes of globalization and internationalization of markets.

Entrepreneurship is an independent, initiative, systematic, at one's risky economic activity, which is carried out by business entities (entrepreneurs) to achieve economic and social results and obtain profit [5].

Entrepreneurship is an independent, initiative, systematic, at one's risky economic activity, which is carried out by business entities (entrepreneurs) to achieve economic and social results and obtain profit.

Entrepreneurship plays an important role in the development of the economy of every state, performing several functions, both economic and social in nature. The economic role of entrepreneurship is that it mobilizes the financial and production resources of the population, promotes the development of competition, is the engine of scientific and technological progress, ensures the replenishment of the state and local budget due to revenues from taxes and fees, etc. The social significance of entrepreneurship is manifested through the creation of new jobs, providing the market with the necessary goods and services, and thereby the most complete satisfaction of the needs of the population. Entrepreneurship also plays a decisive role in the social and economic progress of any country in the world.

We believe that the enterprise is an independent primary subject (with the status of a legal entity) of any economic activity (production, trade, research, service provision or mediation) that is not prohibited by the current legislation of Ukraine and is carried out for satisfaction social and personal needs, as well as obtaining maximum profit with minimum costs of production factors (author's).

The main goal of a business entity, that is, an entrepreneur, is to make a profit and satisfy social and personal needs.

The enterprise ensures its activity based on compliance with the following principles: the entrepreneur's free choice of types of business activity; the entrepreneur's independent formation of the activity program, selection of suppliers and consumers of manufactured products, involvement of material and technical, financial and other types of resources, the use of which is not limited by law, setting prices for products and services following the law; free hiring of employees by the entrepreneur; commercial settlement and own commercial risk; free disposal of the profit that remains with the entrepreneur after paying taxes, fees and other payments provided for by

law; the entrepreneur's independent implementation of foreign economic activity, and the use of his share of foreign exchange revenue at his discretion.

The scientific principles of the successful functioning of entrepreneurship in the national economy have been formulated by I. Vlasenko and are schematically depicted in Figure 2.1 [4, p. 8].

In Ukraine, economic entities "depending on the number of employees and income from any activity per year may belong to small business entities, including micro, medium, or large business entities" [5] (Table 2.1). It is worth noting that until 2012, such a category as micro-enterprise did not exist. This classification was expanded thanks to the entry into force of the Law of Ukraine "On the Development and State Support of Small and Medium Enterprises in Ukraine" [27]. Adoption of the mentioned Law resulted in the repeal of the Law of Ukraine "On State Support of Small Businesses" and amendments to the Economic Code of Ukraine.

Note that the criteria for identifying business entities by size in the Law of Ukraine "On the Development and State Support of Small and Medium Enterprises in Ukraine" are based on the criteria defined by the European

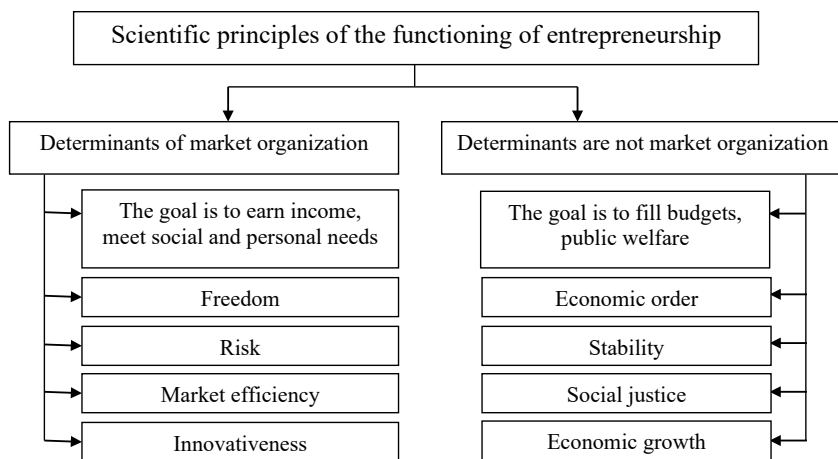


Figure 2.1. Scientific principles of successful functioning of entrepreneurship in the national economy

Source: compiled by the author based on [4, p. 8]

Identification of business entities by size criterion

Business entity	The size of the business entity	Commercial Code of Ukraine, The Law of Ukraine "On Development and State Support of Small and Medium Enterprises in Ukraine"		Law of Ukraine "On Accounting and Financial Reporting in Ukraine"	
		Average number of employees for the reporting period (calendar year), persons	Annual income, million euros/year	Book value of assets, million euros/year	Net income from product sales, million euros/year
Individual entity Legal entity	Micro	Does not exceed 10	Does not exceed an amount equivalent to 2	Up to 0.350	Up to 0.700
Individual entity Legal entity	Small	Does not exceed 50	Does not exceed an amount equivalent to 10	Up to 4	Up to 8
Individual entity Legal entity	Medium	Does not exceed 250	Does not exceed an amount equivalent to 50	Up to 20	Up to 40
Legal entity	large	Exceeds 250	Exceeds an amount equivalent to 50	More than 20	More than 40

Source: compiled based on [5; 16; 27]

Commission [14]. The recommendations of the European Commission regarding the quantitative indicators of identification of business entities by size include the number of employees, turnover, and balance sheet amount.

The static position indicates that large enterprises are more efficient, which is explained not only by their size but also by the revenues they

receive since their average production costs are lower than those of small enterprises, which is associated with general economic losses of efficiency.

From a dynamic point of view, the efficiency of small and medium-sized enterprises is higher compared to large ones. Newly formed small and medium-sized enterprises play the role of agents of exchange, and thanks to their constant emergence on the market, they contribute to the generation of new ideas, and the introduction of new products, types of activities, and technologies, thereby ensuring constant dynamics in the market. Small and medium-sized enterprises are an important factor of social stability in Ukraine because they provide employment and income for a significant number of citizens. They form a significant part of local budget revenues. At the same time, they are not so dependent on the conjuncture of foreign markets and currency fluctuations, and are also flexible and quickly adapt to new conditions.

The role of small and medium-sized businesses is confirmed by classic tasks that are solved by this sector of the economy in developed countries. For example, this includes the smoothing of fluctuations in the economic situation, the development of a healthy competitive environment of the economy, the formation of a diversified and high-quality system of household, organizational and production services, the creation of a significant number of new jobs, the formation of the most important stratum of society – the middle class, the development of the innovative potential of the economy, the introduction of new forms of organization, production, sales and financing [32, p. 156].

Considering the above, small and medium-sized enterprises can be called innovators or drivers of innovation. And the more such enterprises are created, the more innovative ideas develop, and accordingly, innovations and inventions. Small and medium-sized enterprises influence the creation of a competitive environment. Their operation in large numbers creates unfavorable conditions for the development of monopoly, because, as the history of individual countries shows, only one antimonopoly policy is not enough to ensure competitive relations between enterprises. And that is why it is necessary to create small and medium-sized enterprises just to ensure the fulfilment of the mentioned function. Another function of entrepreneurship is the stabilization of the market environment, as they are flexible and therefore can easily and without additional losses respond to changes in demand.

The application of SWOT analysis made it possible to determine the peculiarities of domestic small and medium-sized enterprises, namely its strengths, weaknesses, opportunities and threats (Figure 2.2).

The role and place of small and medium-sized enterprises in the country's economy are also expressed in the functions they perform (Figure 2.3).

Domestic and international practice shows that a necessary condition for the successful development of entrepreneurship is state and regional financial support as a tool for stimulating their business. The priority of the participation of the state and regions in ensuring the development of the entrepreneurial sector is to create favourable legal and socio-economic conditions for their effective development and expanded reproduction. Since it is small and medium-sized businesses are becoming the leading factor in economic transformations in the state, their support is beneficial not only to business entities but also to the entire economy and society as a whole.

<p style="text-align: center;"><u>STRENGTHS</u></p> <ul style="list-style-type: none">- independence;- small starting capital;- flexibility to external changes;- development of ineffective market niches;- creation of a large number of jobs;- low cost of research	<p style="text-align: center;"><u>WEAK SIDES</u></p> <ul style="list-style-type: none">- dependence on the unstable economic and political situation of the country;- limited access to external funding sources;- narrow circle of suppliers, locality of sales markets;- income instability;- social insecurity of employees;- lack of experience;- lack of proper state support
<p style="text-align: center;"><u>OPPORTUNITIES</u></p> <ul style="list-style-type: none">- the ability to occupy any niche in the market;- possibility of self-realization, and personal development;- growth, transition to big business;- the possibility of providing work for employees of different age categories;- creation of a large number of jobs;- participation in conducting scientific research works and implementation of the results of scientific and technical progress in one's activities	<p style="text-align: center;"><u>THREATS</u></p> <ul style="list-style-type: none">- the impossibility of avoiding competition in one's niche;- vulnerability to adverse factors;- complexity and non-compliance with legislation;- the threat of quick bankruptcy;- difficulties in predicting and forecasting the results of activities;- dependence on state support;- insufficient infrastructure and information support

Figure 2.2. SWOT analysis of the characteristics of domestic small and medium-sized enterprises

Source: compiled with consideration [15]

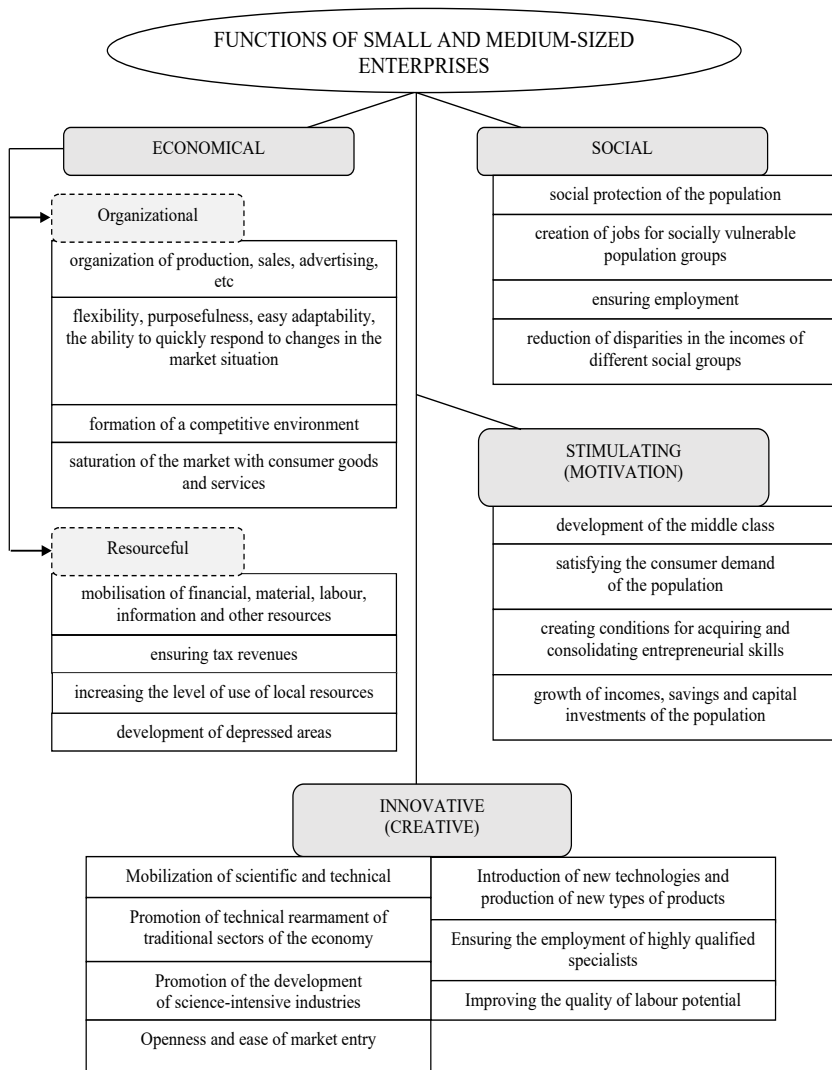


Figure 2.3. Functions of small and medium-sized enterprises

Source: compiled based on [17; 20; 21; 22]

3. Financial state support of business entities, its types and factors of sustainable development

State aid to economic entities is support in any form to economic entities at the expense of state or local resources, which distorts or threatens to distort economic competition, creating advantages to produce certain types of goods or the implementation of certain types of economic activity [27].

State support of economic entities is a legally regulated activity of authorized state bodies, which consists of the development and implementation of targeted programs or the provision of individual financial support to an economic entity that has important strategic importance or meets other criteria defined in the program, according to the account of state budget funds in any form and to ensure the stability of the national economy, increase the competitiveness of the domestic producer, improving the health of certain sectors of the economy, ensuring social and economic well-being in the state [13].

State support in Ukraine can be implemented, in particular, in the following forms: provision of subsidies and grants; provision of grants; provision of tax benefits, postponement or instalments of payment of taxes, fees, other mandatory payments; write-off of debts, including arrears for rendered public services, write-off of fines and compensation for losses to business entities; provision of guarantees, provision of loans on preferential terms and servicing of loans at preferential rates; reduction of financial obligations of business entities to mandatory state social insurance funds; provision, directly or indirectly, to business entities of goods and services at below-market prices, or purchase of goods or services of business entities at above-market prices; sale of state property at below-market prices; increasing the state share in the authorized capital of business entities or increasing the value of the state share on terms unacceptable to private investors.

The goal of state policy in the field of the development of business entities in Ukraine is the creation of favourable conditions for the development of entrepreneurship; ensuring the development of business entities to create a competitive environment and increase their level of competitiveness; stimulation of investment and innovation activity of business entities; promotion of activities by entrepreneurship subjects

regarding the promotion of the goods (works, services) produced by them, the results of intellectual activity on domestic and foreign markets; ensuring employment of the population by supporting the entrepreneurial initiative of citizens.

The principles of state policy in the field of development of business entities in Ukraine are [25]: the effectiveness of support for business entities; availability of state support for business entities; ensuring the participation of representatives of business entities, public organizations representing the interests of business entities, in the formation and implementation of state policy in the specified area; creation of equal opportunities for the access of business entities that meet the requirements stipulated by national, regional and local programs for the development of entrepreneurship, to participate in the implementation of such programs and to receive state support; the effectiveness of the use of budget funds provided for the implementation of the specified programs; openness and transparency of state support procedures; availability of business support infrastructure facilities for all subjects.

The classification of state support allows you to choose the optimal version of it, taking into account the scale and depth of the economic consequences of the crisis, to determine the sectoral priority and the method of applying the appropriate support tools to avoid the most vulnerable threats to the development of entrepreneurship and ensure macroeconomic stability. The classification of types of state support for business entities is presented in Figure 3.1.

The strategy for the development of the sphere of innovative activity for the period until 2030 [28] foresees the introduction of a mechanism for supporting enterprises in the case of their introduction of the latest technologies, as well as the application of a higher level of standardization of manufactured products.

Ensuring the sustainable development of enterprises is a process of conscious choice by the owners and management of the enterprise in the areas of its activity, which are based on ensuring social, ecological and economic effectiveness, are carried out under the influence of the "reflexive and active environment" of the functioning of the enterprise. The sustainability of the business entity depends on a set of internal and external factors, which are shown in Figure 3.2.

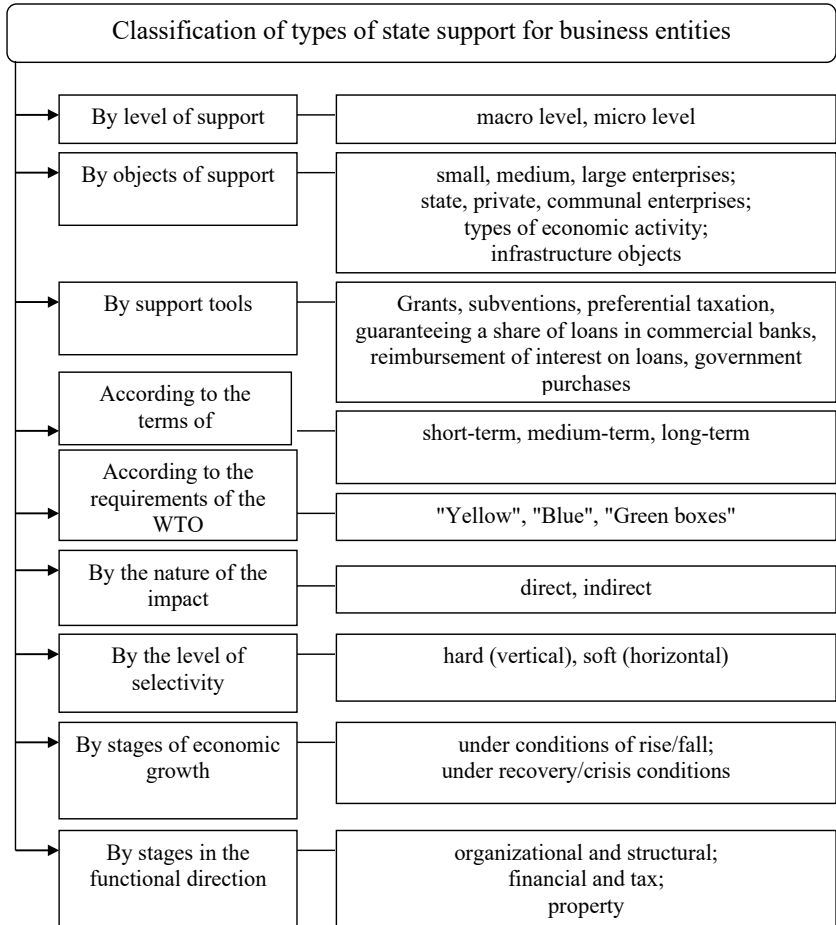


Figure 3.1. Classification of types of state support for business entities

Source: compiled by the author based on [3; 6; 12; 26; 28]

The most important component of the sustainable functioning and development of a business entity is the financial component, and therefore, the starting point for managing the financial stability of the enterprise is its actual financial condition.

Thus, the advantages of state support of business entities as a means of state regulation of the economy are the promotion of the activity of specific enterprises or the possibility of purposeful elimination of problems, which ensures the uniformity of the development of the national economy, the improvement of its important industries, and thereby achieving a positive effect from the use of budgetary resources.

The disadvantages of state support for business entities are that this economic and legal instrument carries a high degree of risk of discrimination against business entities and violation of the principles of economic competition.

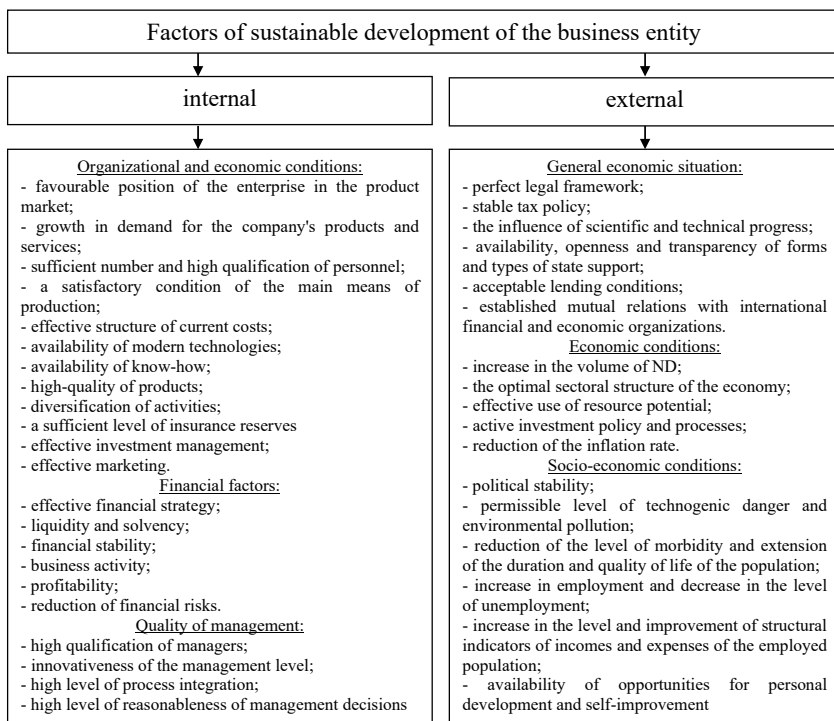


Figure 3.2. System of factors of sustainable development of the business entity

Source: compiled based on [31; 34]

4. Components of the financial mechanism of state support for entrepreneurship in Ukraine

Having considered the essence and established the role of entrepreneurship in the economy of Ukraine, we will conduct a study of the concept and structure of the financial mechanism of state support for its development, which, in our opinion, is necessary to determine the effectiveness of the functioning of domestic entrepreneurship.

The term "financial mechanism" is most often used in the study of state-wide processes. The financial mechanism is an integral element of finance, a tool for mobilizing financial resources and distributing and redistributing GDP in the state. The financial mechanism ensures the implementation of the financial policy of the state. On the other hand, the financial mechanism, as a financial management system at the enterprise, plays a leading role in its functioning. That is why it is important to define the essence of the concept of "financial mechanism of state support for entrepreneurship" and to study its structure.

In economic literature, the term "financial mechanism" is interpreted differently by scientists, and there is no unambiguous approach to its definition and description of its constituent elements. Most scientists consider the financial mechanism as "a set of forms and methods (methods) of management".

We believe that the financial mechanism of state support for entrepreneurship (FMDPP) is a set of financial methods, tools, levers, and forms that are interconnected and interact with each other at the national level, aimed at realizing the functions of entrepreneurship under the appropriate regulatory and legal, informational, institutional and infrastructure systems for its support (author's).

Consider the implementation scheme of the financial mechanism of state support for entrepreneurship (Figure 4.1).

Financial methods are the basis of FMSSE. A financial method is a way of influencing financial relations on economic processes to achieve a certain goal.

Methods of state support are direct and indirect methods of influencing state administration bodies on the behaviour of business entities to ensure appropriate conditions for their functioning. Financial methods of state support for entrepreneurship include planning; prognostication; budget

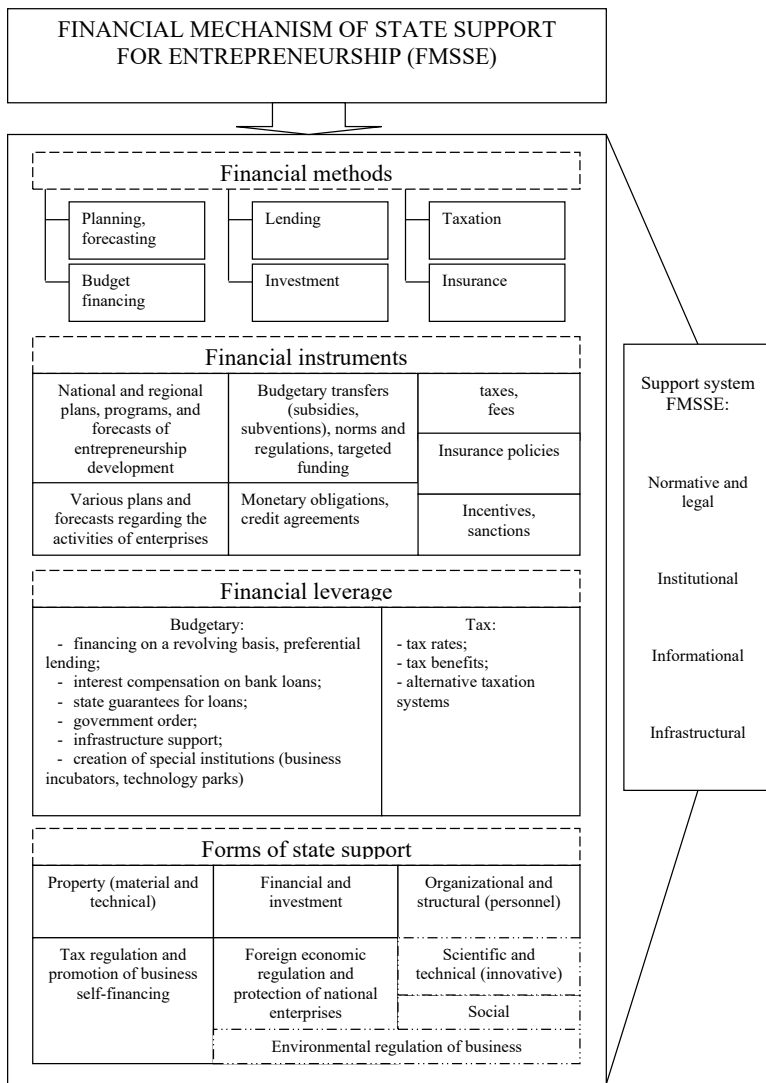


Figure 4.1. Scheme of implementation of the financial mechanism of state support for entrepreneurship in Ukraine

Source: built by the author

financing; taxation; lending, in particular guaranteeing loans; investment state innovation investment and external investment support; and insurance [27].

One of the most common, according to many scientists, is the method of taxation, namely preferential and simplified taxation. However, the recent reduction in tax benefits has significantly weakened business activity in the field of entrepreneurship. From an economic point of view, granting benefits is a method of state support focused on economic and social development.

The positive aspects of preferential taxation also include the fact that economic structures, having received benefits, can strengthen their financial position, update production, and increase the competitiveness of products. Tax benefits should be aimed at overcoming the decline in production, stimulating priority areas of activity and structural changes, and contributing to the stabilization of the economy.

The main task of reforming the tax policy should be the reorientation of the tax system from purely fiscal goals to the goals of stimulating economic growth. Such a method of state support as simplified taxation is also of considerable importance today due to the debatable aspects of the Tax Code of Ukraine. However, despite the positive and negative consequences of taxation, in our opinion, it is inappropriate to separate these two methods (preferential and simplified taxation) because they represent a single system of an effective business taxation system.

An equally important method is lending with the main emphasis on the state guarantee of loans. Providing business structures with state guarantees in Ukraine will significantly increase the number of programs and projects for which they will take loans from banks. The amount of loans provided will increase and will greatly increase the amounts diverted by the state budget for direct financing. Because, according to the rules, guarantees are provided only for a part of the loan amount, the loan amount will increase even more.

The basic method that should take place in the system of state support for the development of entrepreneurship, nevertheless, should be proper investment influence on individual business entities. After all, the intensification of investment activities of entrepreneurship, growth of investment volumes from all sources and their effective using are the primary conditions for economic growth.

Investment support for the development of entrepreneurship is based on integration, which has a different depth of intertwining the functional spheres of small, medium, and large entrepreneurship: in production – it is subcontracting, in production and sales – franchising, in production and financial – leasing, in innovation – venture financing.

An innovative form of investment is a form in which invested (realized) investments materialize into innovative goods (innovative products, innovative services, innovative technologies, etc.). Investing in enterprise innovation can perform several main functions: ensuring the growth and qualitative improvement of the enterprise's fixed capital; implementation of progressive structural changes concerning the most important economic proportions in the enterprise's activity: reproductive, cost; implementation or development of the latest achievements of scientific and technical progress and increasing production efficiency on this basis.

An important component of innovative investment is the developed innovation policy of the state. The main link of the innovation strategy of the state is the objective determination of priorities in the field of scientific and scientific and technical activity, which would correspond to its strategic goals. An important role of the state in the model of innovative development is the development and implementation of a system of state stimulation and support for innovations. The governments of many countries create an internal and external environment favourable for the emergence of innovations, support all types of innovations, new organizational structures, and economic mechanisms, and implement programs for the development of certain technologies based on innovative models. In addition, state support for the development of entrepreneurship involves the use of budgetary, tax, monetary and other policy instruments.

Instruments of state support are acts of a regulatory or directive nature that regulate certain aspects of state support for the development of entrepreneurship. Financial instruments include various plans, and forecasts regarding business activity; entrepreneurship development programs (financial methods of planning, forecasting); subsidies, subventions, program-targeted financing, depreciation deduction norms, regulations, targeted financing; monetary obligations, state loans, providing banks with tax benefits for funds that are aimed at business lending; taxes, fees, mandatory payments, fines, tax benefits, tax investment credit,

tax holidays, tax deferrals, the amount of the minimum wage (taxation); capital investments, government purchases, partial compensation of interest payments for business lending operations; expenses for insurance of collateral, insurance indemnity, state guarantees for loans; incentives (direct budget funding of projects or state order for work) and sanctions (fines and penalties for non-fulfilment of financial obligations).

Actions aimed at providing innovators with financial and technical assistance, including the creation of innovation infrastructure are, as follows: providing innovators with grants, loans, subsidies, guaranteed loans, and research tax credits; provision of researchers and engineers with appropriate equipment and devices, premises and service; creation of state institutions for combining science and production of various forms of ownership, for example by creating and promoting the development of technoparks, exhibitions, fairs, etc.

By applying these tools, the state can slow down or speed up the pace of the innovation process and increase or decrease the efficiency of innovation activity. It is important to determine the optimal ratio between them to avoid "manual" management of innovative processes and to form an effective economic mechanism for their stimulation.

An important role in ensuring the development of small business entities as a driving force of economic transformations and a budget-forming component is the use of incentive levers, which are divided into budgetary and tax levers.

Fiscal and fiscal levers exert a simultaneous double influence on the development of entrepreneurship: tax mechanisms withdraw accumulated funds, redistribute them and, with the help of budgetary mechanisms, return them to households, increasing their savings to increase purchasing power, and to enterprises, stimulating the expansion of production. Fiscal and fiscal levers are a set of means of state influence on the development of entrepreneurship to regulate economic activity and increase budget revenues [35].

Budgetary and tax levers can be considered as two complementary components of economic development: direct (budgetary investment) and indirect (additional-budgetary levers for the formation of a favourable investment climate), or as mutually exclusive: the use of tax levers allows you to reduce direct budget costs, so it is an alternative to the means of

budgetary politicians The mode of application of budgetary and tax levers as instruments of budget and tax policy should not be mutually exclusive, but should be applied simultaneously depending on the budget's capabilities, since the use of tax levers is associated with the receipt (or loss) of a certain level of income, and budget levers with the implementation of budget expenditures and their direction.

Along with the advantages of using tax benefits, it is necessary to keep in focus the disadvantages associated with them. The positive stimulating role of tax benefits is slightly reduced when considering them through the prism of under-receipts, i.e. budget losses. Tax benefits can be applied to types of economic activity or groups of taxpayers. Both approaches were used in Ukraine.

The next tax lever for stimulating entrepreneurial activity is an alternative taxation system, which in Ukraine is represented by a simplified taxation system.

Regarding the budgetary levers for stimulating the development of entrepreneurship, which are characterized as direct and indirect, the following should be noted. The simplest tool for direct stimulation of the development of small business entities is direct budget financing of projects or a state order for the performance of works. In this case, the state receives the necessary product (goods, works, services), and entrepreneurship becomes provided with work and its entrepreneurial potential is realized.

The third lever of direct state stimulation of entrepreneurship development is interest compensation on loans granted to entrepreneurs. Such a tool for supporting entrepreneurship is not well represented in Ukraine, no more than 1% of the funds of regional and local programs are aimed at compensating interest on bank loans. In our opinion, such a tool, despite the rather limited practice of application in Ukraine, can become an effective incentive for the development of entrepreneurship, since for the enterprise it is identical to an interest-free loan, and for the state, it is of interest from the point of view of the possibility of allocating small tranches instead of providing a significant lump sum credit.

Indirect budgetary levers for stimulating the development of entrepreneurship have also become widely used in the world. An indirect lever of budgetary stimulation of entrepreneurship is the provision of state guarantees for loans. The experience of successful use of this tool is

demonstrated by Japan, in Ukraine state guarantees are provided mainly for loans of large enterprises in priority industries [11].

The effective lever of indirect budget stimulation, which borders on its economic meaning with tax, is the creation of special institutions, such as business centres, business incubators and technology parks. The allocation of this lever to the budget group is due to direct budget costs: the provision of premises for the organization of the process, office equipment and other necessary components, it can be considered a tax instrument in connection with the possibility of applying special tax incentives to such groups of payers.

It should be noted that implementation of budget levers is possible under the condition of targeted use of budget resources. The main tool for coordination of entrepreneurship support is regional programs, the implementation of which should be based on the use of a program-target method.

All financial levers of the state should be aimed not only at directly increasing the financial capabilities of business entities but also at stimulating the latter, considering the national goals and priorities of economic growth.

According to their economic purpose, the financial levers used within the framework of the state business policy can be divided into two groups:

- the first – measures of tax regulation and promotion of self-investment of entrepreneurship;
- the second – financial and investment measures of state influence on business.

Among the main forms of state support for entrepreneurship, which are distinguished in the scientific literature, are [33]: property (material and technical); financial and investment; organizational and structural (personnel); tax regulation and promotion of business self-financing; foreign economic regulation and protection of national enterprises.

We consider it expedient to supplement forms of state support for entrepreneurship with the following components: scientific and technical (innovative); social; and environmental regulation of business.

Taking into account the specified forms of state support, it is possible to single out the main directions of its implementation, such as the formation of infrastructure for support and development of entrepreneurship; organization of state training, retraining and advanced training of personnel for business

entities; establishing a system of benefits for business entities; introduction of a simplified accounting and reporting taxation system; financial and credit support of entrepreneurship; involvement of business entities in the implementation of scientific and technical and socio-economic programs, delivery of products (works, services) for state and regional needs.

For the effective functioning of entrepreneurship, the following basic conditions must be ensured: a stable national monetary and credit system; preferential taxation system; an active system of infrastructural support for business activity; state financial and logistical support for entrepreneurship; effective protection of intellectual property; a simplified procedure for the regulation of business activity by state bodies; legal protection of entrepreneurship; formation of an attractive image of entrepreneurship in society.

The functioning of the financial mechanism for supporting entrepreneurship in Ukraine is ensured through its support system, which includes regulatory and legal support; institutional support; information support; and infrastructure support.

Regulatory and legal support is a set of regulatory and legal documents of state authorities that ensure the organization of economic activity and the functioning of entrepreneurship regarding the management of financial resources and the regulation of financial relations with the state and its institutions, financial market participants and other enterprises.

Legal support for the activities of business entities includes a set of legal documents (laws, regulations, etc.) that ensure the conduct of business activities by business entities and regulate their relations with the state, other business entities, as well as with various financial and credit institutions (banks, credit unions, insurance companies, investment companies, etc.). Normative support is a set of standards, norms, instructions, etc., which complement legal support and act simultaneously with it.

Currently, Ukraine has a huge number of regulatory and legal documents that regulate business activities. They also include by-laws that supplement laws and, in their absence, perform the functions of the latter (Figure 4.2).

The institutional environment and the peculiarities of its functioning are important in the context of optimizing financial support for the development of entrepreneurship in Ukraine. It forms concepts and models of financial support for entrepreneurial activity at the level of the industry, region, and



Figure 4.2. Composition of regulatory and legal support for the functioning of the financial mechanism of state support for entrepreneurship in Ukraine

Source: built by the author

country, generates financial mechanisms and tools for the redistribution of financial resources, and creates conditions for their involvement by market entities. The social function of this environment is to create comfortable conditions for the normal development of entrepreneurship in the country and its regions. The quality of the institutional environment mainly determines investment decisions and thus affects the development of entrepreneurship and economic growth. The institutional environment of financial support

for the development of entrepreneurship in Ukraine is represented by the current legal framework and institutions that ensure the implementation of the functions of state regulation and the creation of a market infrastructure for the financial support of entrepreneurship in various market segments.

To the institutional support of FMSSE in Ukraine includes a set of state bodies and its institutions (Figure 4.3).

The Ukrainian Support Fund is a specially authorized institution whose activities are directly related to issues of promoting the implementation of the state policy of entrepreneurship development through the attraction and effective use of financial resources on a revolving and non-revolving basis, financing of targeted programs and projects, partial payment of interest on

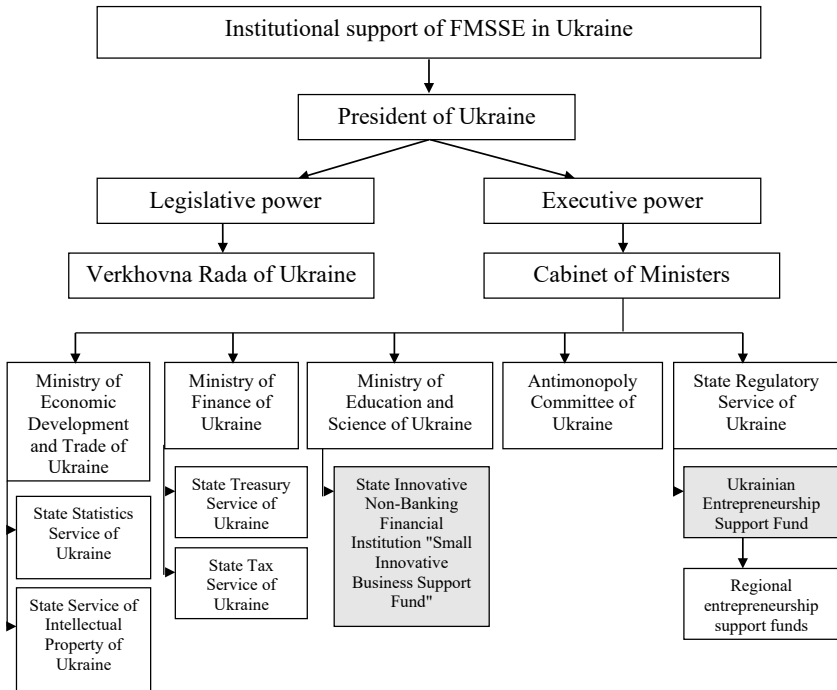


Figure 4.3. Institutional support of the financial mechanism of state support for entrepreneurship in Ukraine

Source: built by the author

loans issued to entrepreneurs by bank institutions of entrepreneurship and its regional funds [29].

To ensure the provision of state support to introduce domestic high-tech scientific, scientific and technical developments and inventions into production by the priority areas of innovative activity, first of all, to support the implementation of innovative projects of small business entities (small innovative business), the State Innovative Non-Banking Financial and Credit Agency was created the institution "Fund for the Support of Small Innovative Businesses", which belongs to the sphere of management of the Ministry of Education and Culture [30].

An effective tool for promoting the effective development of entrepreneurship is the infrastructure of its support – a kind of support and movement system, thanks to which a specific organizational and economic environment is formed to promote entrepreneurial activity and quick adaptation of business entities to market conditions.

The infrastructure system of FMSSE is formed by a set of institutions and institutes that provide support and development of entrepreneurship at all stages of its functioning. This includes: professional financial market participants – banking and non-banking financial and credit institutions (insurance, leasing, factoring, investment, venture companies, credit unions, pawnshops, etc.); business centres, business incubators, scientific and technological centres, technological parks, consulting centres, public organizations, etc.

Information support is a set of informational and methodical sources regarding the management of financial resources of an enterprise. This includes operational, tactical, and strategic plans, forecasts, enterprise reporting, statistical and analytical information of central executive bodies, surveys, informational and methodological support of business entities, mass media, the Internet, etc.

5. Analytical and practical aspects of financial state support of business entities in Ukraine

Today, when the state of the world economy is affected by various external factors and unpredictable situations and phenomena (such as pandemics, natural disasters, armed conflicts, and wars), all sectors of the economy find themselves in unfavourable, unpredictable conditions.

Enterprises are important for the state, as the taxes they pay are one of the main sources of filling the state budget. To facilitate and support the work of businesses even in extremely difficult conditions of war, the state creates and implements various programs to support and promote the development of entrepreneurship, because it is interested in their effective activity and tax capacity to ensure the budget is filled.

The main goal of the state policy in the field of development of small and medium-sized enterprises in Ukraine is [27]: creation of favourable conditions for the development of small and medium-sized enterprises; ensuring the development of small and medium-sized business entities to create a competitive environment and increase their level of competitiveness; stimulation of investment and innovation activity of small and medium-sized business entities; promotion of small and medium-sized business entities in the promotion of the goods (works, services) produced by them, the results of intellectual activity on domestic and foreign markets; ensuring the employment of the population by supporting the entrepreneurial initiative of citizens.

Currently, in Ukraine, state financial support for business entities is implemented under the following programs: state – "Affordable loans 5-7-9%"; "Affordable financial leasing 5-7-9%"; grant support – government project "eRobota"; regional business support programs – which are implemented by local authorities considering the priorities and peculiarities of the development of regions.

State support projects "Affordable loans 5-7-9%" and the program "Affordable financial leasing 5-7-9%" were introduced at the initiative of the President of Ukraine and the Cabinet of Ministers of Ukraine to support investment projects of business entities whose activities are aimed at creating new workers places, legalization, and expansion of small business activities, import substitution and return of labour migrants [10].

The program "Affordable loans 5-7-9%" provides (Table 5.1): on loans for investment purposes, the compensatory rate for medium and large enterprises is 9% per annum, with the possibility of a reduction to 7% per annum if new jobs are created; for micro and small enterprises – at the level of 7% per annum with the possibility of a reduction for investment loans to 5%. For the replenishment of working capital, the compensation rate for all enterprises is set at 9% per annum for loans. Under the "Affordable Loans

Table 5.1

Terms of the program "Affordable loans 5-7-9%"

Type of loan	"Country of a successful business" on bail	Revolving credit line	"Country of a successful business" as collateral for agricultural clients	Agricultural season
TO REPLENISH WORKING FUNDS				
Term	36 months		Until March 2024	
Loan amount	– from UAH 100,000 to UAH 4 million for micro-businesses; – from UAH 100,000 to UAH 5 million for small businesses; – Not available to medium and large businesses	– from UAH 100,000 to UAH 20 million for micro-businesses; – from UAH 500,000 to UAH 50 million for small businesses; – from UAH 3 million for medium-sized businesses	– from UAH 100,000 to UAH 4 million for micro-businesses; – UAH 5 million for small businesses; – Not available to medium businesses	from 1 to 50 million hryvnias
% rate for the borrower	9% per annum			
Method of issuance	To the current account of the borrower			
Schedule	In equal parts every month, annuity	In equal parts every month for micro and small businesses	Repayment of tranches – 90/180/270/360 days or an individual schedule in agreement with the bank for medium-sized businesses	December 1, 2023 – 20%, February 1, 2024 – 30%, March 1, 2024 – 50% or individual schedule
Loan security	Movable/immovable property, business owner surety		Agricultural machinery (self-propelled, trailer, mounted) and/or vehicles (passenger, commercial), guarantee of the business owner	
Bank commission	1–1.5% of the loan amount			
Mandatory conditions	Prohibition of using credit funds to repay loans and interest or other debt under credit agreements, as well as to pay dividends and provide financial assistance			
	Requirements for the land bank: – from 20 to 99.99 hectares for KVED 01.11; – from 100 ha for KVED 01.1, 01.2, 01.3, 01.4, 01.5, 01.6		Requirements for the land bank: – from 100 ha for KVED 01.1, 01.2, 01.3, 01.4, 01.5, 01.6	

Chapter «Economic sciences»

(End of Table 5.1)

FOR INVESTMENT PURPOSES			
Type of loan	"Country of a successful business" on bail	Non-revolving credit line	Loan for the purchase of fixed assets (in particular, agricultural machinery)
Term	36 months		– 36 months for micro and small businesses, agricultural producers; – 60 months for medium/large businesses
Loan amount	– from UAH 100,000 to UAH 4 million for micro-businesses; – from UAH 100,000 to UAH 5 million for small businesses – Not available to medium and large businesses	– from UAH 3 million for medium-sized businesses – Not available to micro and small businesses	from UAH 100,000
% rate for the borrower	7% per annum with the possibility of reduction to 5% provided that new jobs are created	9% per annum with the possibility of reduction to 7% provided that new jobs are created	– 7% per annum for micro- and small businesses with the possibility of reduction to 5% provided that new jobs are created; – 9% per annum for medium and large businesses with the possibility of a reduction to 7% provided that new jobs are created
Method of issuance	To the supplier's account	To the account of the borrower/supplier	To the supplier's account
Schedule	In equal parts every month, annuity	In equal parts every month or an individual schedule in agreement with the bank	Annuity, in equal parts. For medium and large businesses – an individual schedule.
Loan security	Movable/immovable property, business owner surety		The property to be purchased is the guarantee of the owner
Bank commission	1–1.5% of the loan amount		
Mandatory conditions	Prohibition of using credit funds to repay loans and interest or other debt under credit agreements, as well as to pay dividends and provide financial assistance		

Source: compiled from [1; 2]

5-7-9%" program, the state compensates business entities for part of the credit burden: if more jobs are created at the enterprise, the more interest compensation it receives on the loan.

The state program "Affordable financial leasing 5-7-9%" provides for: establishment of a compensation fee for medium and large enterprises of 11% per annum, with the possibility of reduction to 9% per annum if new jobs are created; for micro- and small enterprises – 9% per annum, with the possibility of reduction to 7% per annum if new jobs are created.

The advantage of the state loan "Affordable financial leasing 5-7-9%" is: lowering the cost of credit for business entities through the provision of state financial support with the possibility of a % rate reduction provided that new jobs are created; replenishment of working capital for the purchase of materials, raw materials, and other expenses related to the economic activity of the enterprise; high rate of economic development of the enterprise due to long-term financing of business investment needs; repayment of the loan in equal parts or an adapted schedule, a special schedule for agribusiness.

The main state grant program for stimulating business in wartime is the government project "eRobota", which provides Ukrainians with grants for starting a business, developing entrepreneurship, and training. The project is implemented in six directions, such as micro-grants for creating one's own business ("Own Business"); grants for the development of a processing enterprise; state funding for planting a garden; funds for the development of greenhouse farming; grants for start-up implementation, including in the IT field; funds for training in IT specialities [9].

Under the "Own Business" program, Ukrainians can receive financial support from the state in the form of micro-grants ranging from UAH 50.000 to 250.000. The money can be spent on purchasing or leasing equipment, purchasing raw materials, and renting premises. A mandatory condition for providing funds is the creation of 1-2 jobs.

The maximum amount of the grant that Ukraine provides for the creation of a processing enterprise is UAH 8 million. Funds are provided based on co-financing. When issuing the first thousand grants, the state compensates up to 70% of the project cost, and the contribution of the recipient of state aid must be at least 30%. For the rest of the grants, a different ratio applies, such as up to 50% of the cost is due to grants, and at least 50% is the recipient's funds (own or credit). An entrepreneur can receive one grant

either for the creation of a new processing enterprise or for the expansion of existing facilities if it creates at least 25 jobs.

The grant program for compensation for the creation of gardens allows entrepreneurs to attract from 140.000 UAH to 400.000 UAH per hectare of plantations. The area of the new garden must be no less than 1 ha and no more than 25 Ha. According to the greenhouse cost compensation program, each participant of the program can attract up to UAH 7 million. The main condition of both programs is the creation of new jobs and the duly confirmed right of ownership or use of a plot of land. In the submitted projects for the creation of a garden and the construction of greenhouses, a water intake and irrigation system must be provided. An important condition for receiving grants is the timely payment to the budget of taxes and fees during production activities.

The investment program in IT start-ups is intended for developers of technological products to attract financing for the opening and development of businesses in the field of high technology. Within the framework of the project, the implementation of IT start-ups is financed at various stages – from the idea of the project to the finished viable product. For start-ups, depending on the stage of their implementation, the Innovation Development Fund provides a grant from UAH 750.000 to UAH 3.5 million with clear conditions on the number of employees involved, and the Investment Fund provides revolving financial assistance from UAH 3.5 million to UAH 8 million. The grantee must pay taxes and VAT in the amount of 50% of the received grant within two years and create at least 5 jobs.

The "Start in IT" program is granted for the training of Ukrainians in IT specialities. Citizens of Ukraine who have lost their jobs are on unpaid leave, idle, and IDPs who want to get a new profession in the IT field can receive financing. After completing the training, the participants must, within 30 days, get a job in a new speciality, open a private enterprise, or carry out independent professional activities.

All business support programs offered by the regions of Ukraine are posted on the Diya. Business portal in the category "Regional programs" [7], where information is collected on regional financial support programs for assistance to relocated enterprises, financial assistance for the purchase of equipment, machinery, raw materials and payment of rent, compensation for the cost of energy-efficient equipment, anti-crisis support, increasing

the competence of entrepreneurs: provision of microcredit and preferential conditions, educational training, meetings for the exchange of experience, consultations, etc. Information on these programs is regularly updated by 17 regional military administrations (RMA).

Legislative regulation of state financial support programs for agribusiness is carried out by the Law of Ukraine "On State Support of Agriculture of Ukraine" [18], which describes in detail all the nuances, conditions, principles, and types of aid.

In Ukraine, state support programs for farmers include such main priority areas as animal husbandry, horticulture, farming, lowering the price of equipment and loans. These programs were adapted to the new conditions and needs of agricultural producers, which made it possible to single out such areas as crop insurance, support for niche and organic production, and beekeeping. Thus, the livestock support program for 2021–2023 provides for the provision of special budget subsidies for the reconstruction of farms and complexes, changes in the structure of production, improvement of the qualitative composition of livestock, support of biodiversity and biological safety. Support for the development of horticulture, viticulture and hops is provided by partially reimbursing the cost of purchasing planting material for fruit and berry crops, grapes, and hops, carrying out works on the construction of trellises and installing drip irrigation systems and purchasing materials necessary for carrying out such works. Subsidies are also provided for new construction and reconstruction of refrigerators, fruit and berry freezing facilities, primary processing shops, acquisition of commodity processing lines, and automated lines for their drying and processing.

Among domestic entrepreneurship support programs, there are programs aimed at providing financial support to entrepreneurial structures through separate state and commercial institutions that implement them. These programs include EU4Business [8]; programs to support small and medium-sized enterprises at the international level (international credit lines); banking products and assistance programs for small and medium-sized enterprises, as well as separate programs for supporting small and medium-sized enterprises at the regional level.

The war on February 24, 2022, also affected the ability of businesses to function fully. Almost 46.8% of enterprises have completely or

almost completely stopped working since February 24, 2022. Only 12.4% of enterprises did not change but instead increased the volume of work compared to the pre-war period. The total losses of the prevailing business – SMEs during the war period reached \$85 billion (not considering the unearned profits). 19% of enterprises were forced to relocate, most of them from the East of Ukraine (more precisely, 41%) have already relocated their production facilities and personnel. Reduction in the volume of work at enterprises led to a reduction in the number of employees in business. According to the research results, more than 20% of the staff were sent on vacation, 27% were working under conditions of reduced wages, and 20% were completely laid off (more than 1 million people).

Since the start of the State Program "Affordable Loans 5-7-9%", the total amount of signed credit agreements amounted to UAH 276.9 billion as of February 19, 2024. At the same time, the current indebtedness of borrowers for soft loans at the beginning of 2024 amounted to UAH 126.8 billion. The amount of budget funding of the program has grown significantly: if in 2020–2021 2 billion UAH were directed to it, then in 2022 – 7 billion UAH, in 2023 – 16 billion UAH, and 2024 – already 18 billion UAH (Figure 5.1).

The important role of the Program for business and the economy, in general, is emphasized by the rapid growth of the share of loans issued under the "5-7-9%" program in the pure hryvnia corporate portfolio – from 5% in 2020 to 18% in 2021, 26% in 2022, and up to 40% by the end of 2023 in particular, among new loans issued during the full-scale russian invasion of Ukraine, the share of subsidized loans under this program reaches 90%.

Two-thirds of the volume of signed credit agreements (67.4%) falls during the period of martial law in Ukraine, from February 24, 2022. to 05.02.2024. Thus, the growth of the loan portfolio under the "Affordable Loans 5-7-9%" Program is mainly caused by a change in the design of the program in the conditions of a full-scale war. Agriculture and trade are the leading industries in terms of the volume of loans received "Affordable Loans 5-7-9%". At the end of 2023, agricultural companies accounted for 49% of all soft loans during the Program's existence. The trade sector accounts for 26% of all "Affordable Loans 5-7-9%" loans provided. It is noteworthy that trade occupied a high share even until 2022 when an additional opportunity

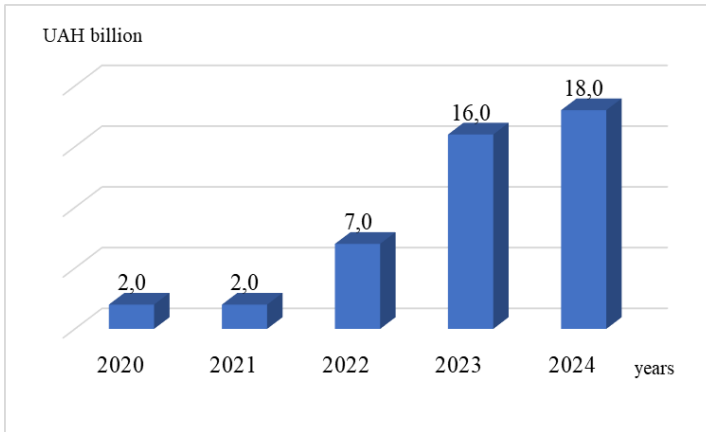


Figure 5.1. Dynamics of budget financing of the "Affordable loans 5-7-9%" program in 2020–2024, UAH billion

Source: built by the authors from the materials [10]

to finance large trade networks appeared in the Program. Only 15% of "soft" loans were directed to industry. The remaining sectors, such as services, construction, and finance, accumulated even smaller shares (6.4%, 2.1%, and 0.03%, respectively). The geographical distribution of the "Affordable Loans 5-7-9%" issued loans turned out to be quite even and indicates the absence of clear leaders who would have a significant gap from the rest of the regions. The top 3 regions in terms of the share of loans issued are Kyiv (9.9%), Lviv (8.2%) and Dnipro (7.5%) oblasts. This corresponds to the overall ranking of regions by regional domestic product. At the same time, the geographic distribution of preferential lending is less concentrated than the location of economic potential [10].

Thus, state financial support of business entities is an important tool for stimulating their economic development. Its implementation should be based on strategic planning and long-term goals of the country's development. Efficiency, transparency, and fairness in the distribution of financial resources must be ensured in the implementation mechanism of state business support, which will contribute to the stability and success of these programs.

Support for the development of business entities should also be regional in nature, considering the level of their development in individual regions and by types of economic activity.

The purpose of the activity of the Regional Entrepreneurship Support Fund (RESF) in Khmelnytskyi Region is: implementation of state policy on financial support and development of entrepreneurship, effective use of its opportunities in the socio-economic development of Khmelnytskyi region; unification of the scientific-technical and financial-economic potential of the Founders and Participants for the development and implementation of targeted regional programs and projects aimed at the comprehensive development and improvement of the efficiency of entrepreneurial activity; development and implementation of targeted regional programs, reduction of social tension by creating favourable conditions for the involvement of socially vulnerable categories of the population in entrepreneurial activity – unemployed, young people, women, released into the reserve of military personnel, disabled, etc., creation of jobs; creation of conditions that comprehensively contribute to the implementation of state and targeted regional programs and projects aimed at the development of entrepreneurship in the region; promoting the use of state and non-state financial, material, technical and informational resources by business entities, in particular premises (buildings), equipment, information materials, as well as scientific and technical developments and technologies necessary for the implementation of entrepreneurial activities; creation of modern production infrastructure in various sectors of the economy based on the attraction of domestic and foreign investments; implementation of regional scientific and educational programs for the development of entrepreneurship.

The procedure for providing financial and credit assistance to entities of entrepreneurial activity (EEA) at the expense of the regional budget (Procedure) was developed by the requirements of the laws of Ukraine "On the development and state support of small and medium-sized enterprises in Ukraine" [27], "On the National Assistance Program development of small business in Ukraine" [23], and taking into account the provisions of the "Procedure for the use of funds provided for in the state budget for micro-crediting of small business entities" [19].

The procedure determines the conditions and mechanism for financial and credit support of business entities by the Regional Entrepreneurship Support

Fund (RESF) in Khmelnytskyi Oblast at the expense of the regional budget. The main administrator of the funds is the structural unit of the regional state administration, which receives budgetary allocations from the regional budget for financial and credit support of EEA. The fund conducts activities in the field of providing financial and credit support on the conditions of return, security, term, and payment. The Fund provides financial and credit support to EEA within the limits of the allocations provided for in the regional budget to ensure the development of entrepreneurship.

EEAs receive financing under the conditions of co-financing the investment project at the expense of their funds (property participation) in the amount of at least 30% of its cost.

The decision on the provision and term of use of financial and credit support in the form of a loan of up to UAH 500,000 is made by the Investment Council of the RESF, and in the amount of more than UAH 500,000 – by the Investment Council of the RESF in agreement with the Supervisory Board.

The interest rate for the use and term of use of financial and credit support (FCS) is approved by the Investment Council of the RESF specifically for each project at a rate that does not exceed 1.5 times the NBU discount rate that was in effect on the date of the decision on FCS.

FCS can be provided by the decision of the Investment Council on preferential terms (preferential rates), but not less than 50% of the NBU discount rate, which was in effect on the date of the decision to grant FCS.

The priority areas of financial and credit support are [24] such as production of agricultural products (in particular, cultivation of new and non-traditional types of products for the region, animal husbandry, plant breeding, industrial fish breeding, beekeeping, etc.); processing of agricultural products (production of food products, eco- and biological products, production from the processing of raw materials of plant and animal origin); production of machines, equipment and finished metal products; introduction of energy-saving technologies and implementation of energy-efficient projects; production of electrical, electronic and optical equipment, instrument making; development and development of high-tech products; introduction of innovations, development of information technologies; light industry (manufacturing of sewing products and shoes, etc.); woodworking industry (production of wooden structures for residential construction,

furniture, carpentry, production of other wood products, etc.); production of building materials (building mixtures, finishing materials and structures, bricks, ceramic and concrete products, etc.); tourist and recreational spheres (development of hotel business, rural green tourism, production of souvenir products, revival of folk crafts, etc.); provision of social and household services to the population in rural areas.

The criteria for determining the EEA as a candidate for participation in the competitive selection to receive the FCS are compliance of the project with priority directions; payback period of the investment project (business plan); providing a guarantee of the return of the FCS, in particular in the form of a property pledge or the presence of a property guarantor; the amount of profit and profitability of production of products (services); the number of saved and additional jobs that are planned to be created, as well as the costs of creating one such job (salary at the level of the industry average); production of products for export; increase in the number of revenues to the budget due to the payment of taxes, fees (mandatory payments); social significance of the project.

FCS is divided into short-term – up to 12 months (inclusive) and long-term – up to 36 months (inclusive).

The procedure for providing financial and credit support to the EEA at the expense of the regional budget is presented in Figure 5.2.

Stage 1. To obtain financial and credit support for the implementation of the project, EEA submits to the Fund an application for financial and credit support and a business plan, a list of necessary documents determined by the Fund.

Stage 2. Documents submitted to the Fund are registered by the established procedure and are not returned to the applicant.

Based on the documents received from the applicant, the Fund's specialists examine the project and prepare a conclusion and proposals regarding the feasibility and conditions of providing financial and credit support, which are submitted for consideration by the members of the Investment Board of the Fund 3 (three) days before the meeting of the Investment Board to make a final decision.

The project examination includes an analysis of the economic and social feasibility of project implementation, its investment attractiveness based on the technical and economic examination of the relevant business plan and the financial and economic status of the EEA.

Iryna Forkun

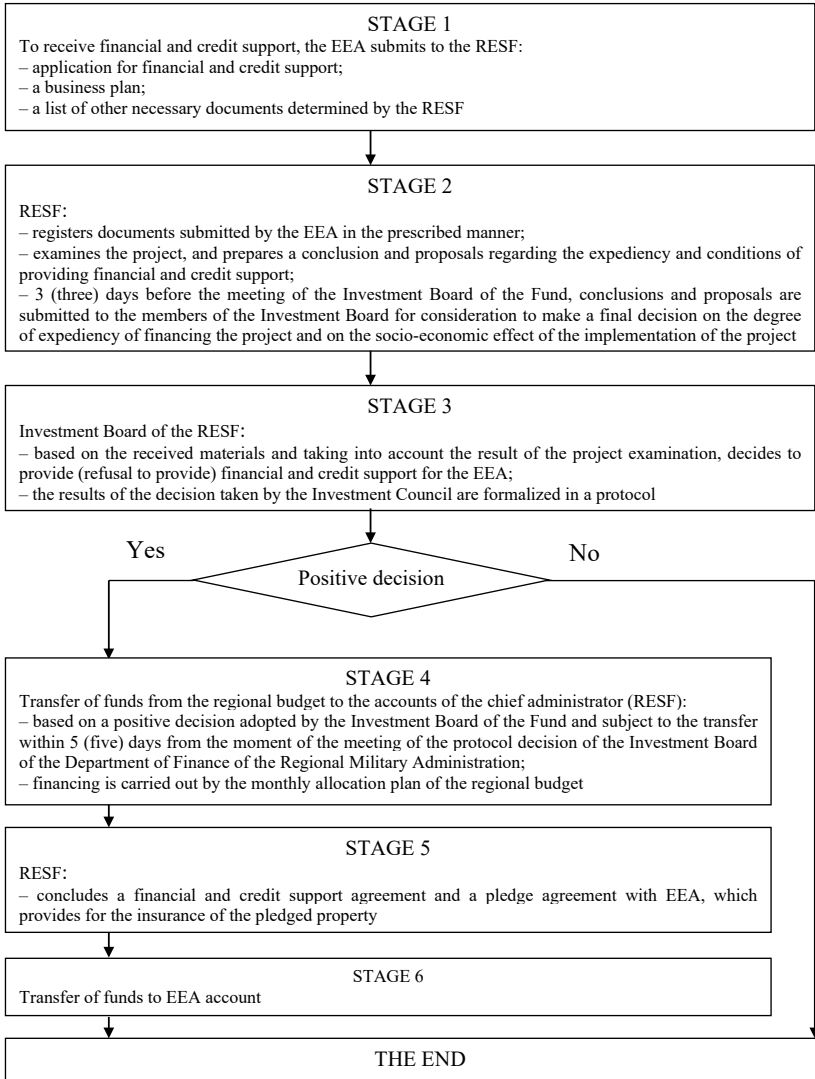


Figure 5.2. The procedure for providing financial and credit support to the EEA at the expense of the regional budget

Source: built by the authors from the materials [24]

The result of the examination is the determination of the feasibility of financing the project and the preparation of a conclusion on the socio-economic effect of its implementation.

Conclusions and corresponding proposals prepared by the Fund have a corresponding validity period, which does not exceed three months.

Stage 3. Based on the received materials and considering the results of the project examination, the Investment Board of the Fund decides to provide (refusal to provide) financial and credit support to the EEA.

Stage 4. The results of the decision made by the Investment Council are formalized in a protocol, which is the basis for the transfer of funds from the regional budget to the accounts of the chief administrator. Funding is carried out by the monthly allocation plan of the regional budget.

Within five days from the date of the meeting, the Fund provides a protocol decision of the Investment Council of the Department of Finance of the Regional Military Administration. The Foundation notifies the EEA in writing about the results of the specified decision.

Stage 5. In case of a positive decision of the Investment Council on the provision of financial and credit support by the Fund, based on the minutes of the Investment Council meeting, within 10 (ten) working days from the date of signing the said protocol, a financial and credit support agreement and a pledge agreement are concluded with EEA, which collateral insurance is provided.

Stage 6. After concluding the pledge agreement, funds are transferred to the business entity.

Forms of a standard agreement on financial and credit support and a standard agreement on debt restructuring for financial and credit support by the agreement on financial and credit support are attached.

The subject of ensuring the fulfilment of obligations to the Fund is liquid (movable or immovable) property, which by the Law of Ukraine "On Pledge" can be the subject of a pledge, with a preliminary independent expert assessment. In the absence of its property, the EEA is provided with a property and/or financial guarantee of another business entity as collateral. The ratio of the funds of financial and credit assistance to the value of the pledged liquid property should be 1:1.5.

Operations related to the use of budget funds are carried out by the Procedure for treasury service of local budgets, approved by the Ministry of

Finance of Ukraine. To transfer the funds of financial and credit support, the Fund provides the Main Department of the State Treasury Service of Ukraine in the Khmelnytskyi region with payment instructions and a contract for transferring funds to EEA current accounts opened in commercial banks.

Figure 5.3 shows the dynamics of budget allocations for financial and credit support of EEA and its actual use in Khmelnytskyi region in 2017–2022. It can be seen from the figure that the volume of financing at the expense of the regional program of support for small and medium-sized enterprises through the RESF is growing, and in 2019–2022 it practically remains at the level of UAH 3 million. This is the dynamics of providing financial and credit support to the EEA at the expense of the funds of the regional budget of the Khmelnytskyi region through RESF is a positive direction in ensuring the economic development of the region, however, in the current conditions of price policy and demand for state support, these funds are not enough.

Taking into account the priority directions in which financial and credit support is provided in the region and the specifics of the development of industries, it can be noted that the most financial and credit support was received by enterprises engaged in the production and

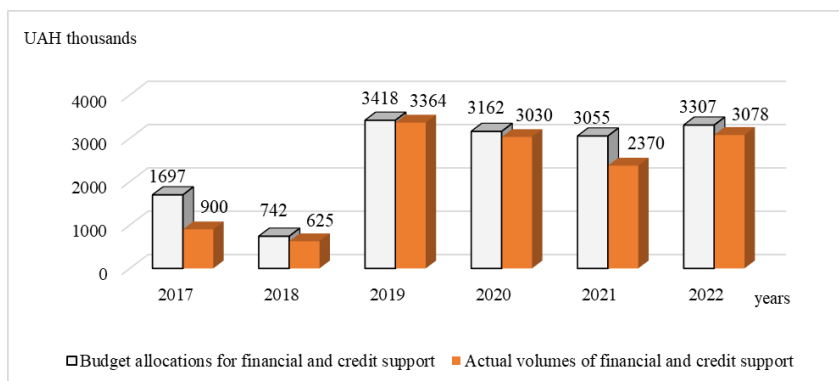


Figure 5.3. Dynamics of budget allocations for financial and credit support for EEA and its actual use in Khmelnytskyi region in 2017–2022

Source: built by the authors

processing of agricultural products – 168, enterprises providing social and household services – 17, manufacture of wooden structures for residential construction – 6, the introduction of innovations, development of information technologies – 5. In total, during the studied period, FCS received 209 EEAs (Figure 5.4).

Summarizing the economic activity of the EEA showed that those enterprises that used the FCS from the regional budget witnessed a positive trend in job preservation – 425 for 2017–2022, the creation of 47 new jobs, and transferred to the budgets of all levels of taxes and fees in the amount 22 million 485 thousand UAH (Figure 5.5), which determines the socio-economic effect of its implementation.

In terms of the volume of tax payments, the largest amount of tax payments is the SSC, military levy, personal income tax – 11 million 914.9 thousand UAH (53.0%) and VAT – 7 million 57.9 thousand UAH (31.4%).

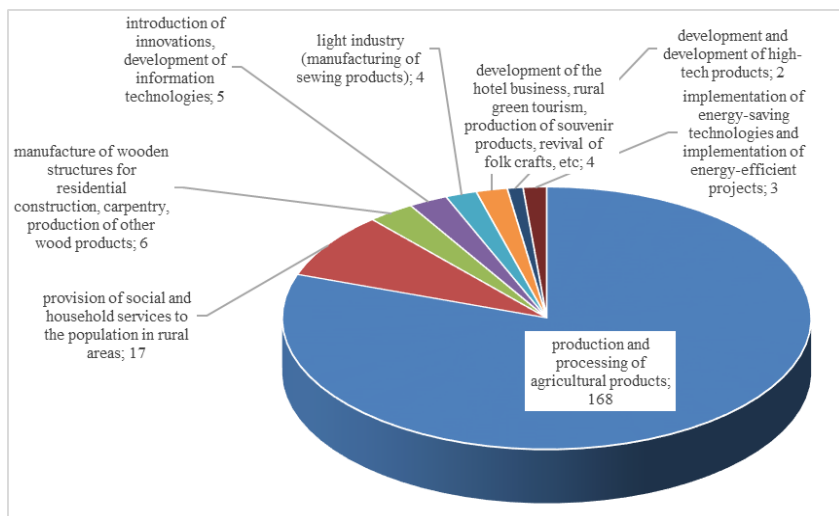


Figure 5.4. The structure of the provided financial and credit support for EEA of Khmelnytskyi region according to priority directions, units

Source: built by the authors

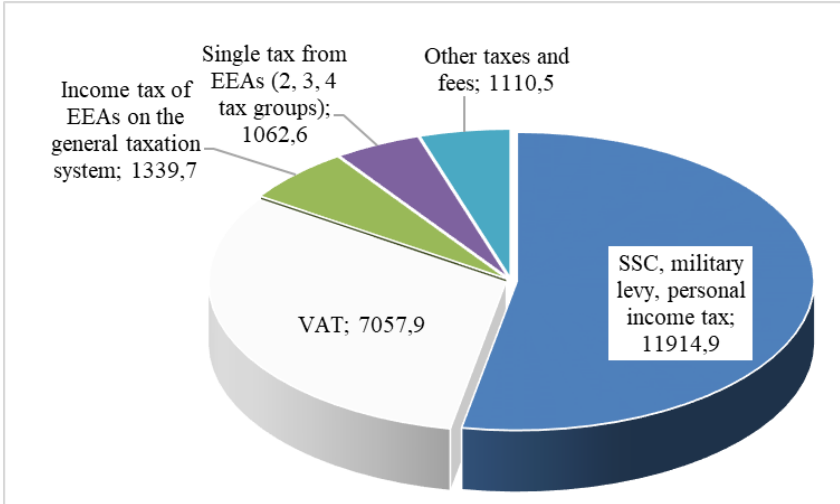


Figure 5.5. Dynamics of the amount of taxes and fees transferred to the budgets of all levels in 2017–2022, thousand hryvnias

Source: built by the authors

Taking into account the appeal of the EEA and the demand for state support, we propose to expand the list of priority areas, in particular, this concerns the provision of services to the population (mobile meals, services related to social entrepreneurship, the provision of medical services, rehabilitation and health services, children's educational services, and others) in the city of Khmelnytskyi, cities of regional importance and other cities that involve the creation of new jobs and are the need of the hour. Considering Russia's military aggression and its impact on the financial capacity of enterprises that received FCS, we propose to extend the terms of repayment of the loan body, but not more than once upon application. In the event of circumstances related to the impossibility of timely repayment of the debt under the contract due to a temporary deterioration in the financial condition of EEA, the loan repayment period may be postponed with the possibility of partial cancellation of the accrued fines, if EEA proves that it has taken all measures dependent on him for the proper fulfilment of the terms of the contract.

Thus, the regional policy of promoting the development of small entrepreneurship should be considered as one of the most priority activities of local authorities to ensure the dynamic socio-economic development of territories. The importance of taking regional features into account when developing a policy to support entrepreneurship is related to the fact that it is mainly focused on local markets and helps to use entrepreneurial potential as a significant resource for regional development.

Summing up, it can be noted that the main and most priority tools for the development of the economy in the modern conditions of martial law are the development of measures that will stabilize the business climate and reform the system of state support for entrepreneurial activity. The need to stimulate and ensure the further development of entrepreneurship is relevant today in Ukraine at all levels: state, regional and directly in the field of business itself, and it opens opportunities for accelerating the process of economic recovery and modernization and moving it to an innovative path of development.

6. Conclusions

The need for a combination of economic and social effectiveness during the reform of the economy, as well as rational use of the national resource potential determines the attention to the implementation of the state policy for the development of entrepreneurship, and the formation of the domestic market of Ukraine. The promotion of the development of national entrepreneurship is the core of any economic reform. Improving the business climate stimulates economic growth and job creation, therefore, it has a positive effect on the attraction of domestic and foreign investments.

The modern development of entrepreneurship in the countries of the world is accompanied by a persistent search for tools to expand the boundaries of promoting the entrepreneurial environment and business activity of citizens. This is accompanied by efforts to create a certain balance between regulatory practices and the economic activities of economic agents in commodity markets to increase the attractiveness of doing business in the national economy. However, the growth of uncertainty in the global and domestic economic environment not only complicates the search for such a balance but also provokes a violation of the previous one, which exacerbates the deepening of the existing defects of the market and management system

in one or another country. The main source of uncertainty is the growing ignorance of some market participants about others. New symptoms and trends in the behaviour of enterprises in response to post-crisis phenomena are emerging.

The economic system of Ukraine was no exception, it, along with other countries of the world, is searching for ways to establish economic balance and development in the post-crisis competitive space. The creation of mechanisms for reformatting the business environment and their application in the process of implementing economic reforms are of primary importance for strengthening the competitiveness of the Ukrainian economy, increasing its stability, flexibility and structural modernization following the requirements of the time.

The construction of management mechanisms is in the plane of economic dependencies between the security of property rights, the functioning of competition, technical barriers to stimulate the development of the business environment and the purposefulness of the application of public procurement procedures. The effectiveness of the implementation of the mechanism of state support for entrepreneurship, which is based on financial methods, depends on the effectiveness of the government's measures in the conditions of the war in Ukraine and the intensity of the implementation of the Association Agreement between Ukraine and the EU on several key issues, including the formation of an attractive business environment, guaranteeing the freedom of entrepreneurship and increasing the competitiveness of the economy, levers, instruments and forms of state support, which differ depending on the level at which they are applied.

The analysis of the implementation of the current state and regional entrepreneurship support programs showed that such support has positive financial and social effects, however, as part of increasing the effectiveness of the financial mechanism of state support for entrepreneurship in Ukraine in the future, it is proposed:

- to develop clear criteria for distinguishing large and small/medium businesses to provide an opportunity to benefit from state support to newly created business entities, and in a certain way to limit access to loans of large companies structured as a group of small/medium businesses;
- for each purpose of lending at the state/regional level, form separate performance evaluation criteria, focus programs on investing in priority

areas and innovative projects, monitor the achievement of business objectives specified in credit applications or business plans, and regularly post this information in a summarized form on official websites;

– carry out a comprehensive review of the quality of the borrower's assets and the achieved socio-economic effects from the utilization of state support funds (for example, creation of new and preservation of existing jobs, introduction of innovations, contribution to security, increase in the amount of tax payments to the budget of different levels, etc.);

– preventively form a system of preventive measures against business abuses, especially in the de-occupied territories, carry out detailed checks of credit applications by banks' risk management departments, financial monitoring departments, regional entrepreneurship support funds, etc.;

– carry out mandatory risk insurance according to their types, which will reduce the credit risks of borrowers and protect against unforeseen losses.

References:

1. AT "KB PryvatBank". Available at: <https://privatbank.ua/business/5-7-9> (accessed April 15, 2024).
2. AT "Oshchadbank". Available at: www.oschadbank.ua/credit/579 (accessed April 15, 2024).
3. Baranovskyi O. I. (2009). Derzhavna pidtrymka maloho biznesu: Svitovyi dosvid i Ukraina. *Ekonomika Ukrainy*, no. 1, pp. 74–79. (in Ukrainian)
4. Vlasenko I. V. (2006). Funktsionuvannia malykh pidpriemstv v ekonomitsi Ukrainy: avtoref. dys. kand. ekon. nauk: 08.06.01. Khmelnytskyi, 20 p. (in Ukrainian)
5. Hospodarskyi kodeks Ukrainy. Available at: <http://zakon4.rada.gov.ua/laws/show/436-15> (accessed April 10, 2024).
6. Deiaki pytannia nadannia subiektam maloho ta serednoho pidpriemnytstva kredytno-harantiinoi pidtrymky. Available at: <http://zakon2.rada.gov.ua/laws/show/68-2010-%D0%BF> (accessed April 11, 2024).
7. Diia.Biznes. Available at: <https://business.diia.gov.ua/> (accessed April 12, 2024).
8. EU4Business. Available at: <https://eu4business.org.ua/> (accessed April 01, 2024).
9. Ministerstvo ekonomiky Ukrainy. Available at: <https://me.gov.ua/Documents/Detail?lang=uk-UA&id=94321ef8-1418-479c-a69f-f3d0fdb8b977&title=Robota-GrantiVidDerzhaviNaVidkrittiaChiRozvitokBiznesu> (accessed April 11, 2024).
10. Ministerstvo finansiv Ukrainy. Available at: <https://mof.gov.ua> (accessed April 05, 2024).
11. Moldovan O. O. Shchodo udoskonalennia podatkovykh instrumentiv pidtrymky maloho pidpriemnytstva v Ukraini. *Natsionalnyi instytut stratehichnykh doslidzhen pry Prezydentovi Ukrainy*. Available at: <http://www.niss.gov.ua/articles/1621/> (accessed March 25, 2024). (in Ukrainian)

12. Pashko P. V. (2019). Pidpriumnytstvo v epokhu hlobalnykh transformatsii: vykyky ta perspektyvy rozvytku: monohrafiia. *Universytet derzhavnoi fiskalnoi sluzhby Ukrainy*. Irpin, 476 p. (in Ukrainian)

13. Petrunenko Ya. (2018). Poniattia derzhavnoi pidtrymky subiektiv hospodariuvannia yak zasobu zabezpechennia efektyvnoho vykorystannia biudzhetnykh koshtiv. *Hospodarske pravo i protses*, no. 6, pp. 110–115. (in Ukrainian)

14. Povidomlennia Komisii shchodo poniattia derzhavnoi dopomohy zghidno zi statteiu 107(1) DFIeS (2016) / Yevropeiska komisiia. Briusel. Available at: http://eupublicprocurement.org.ua/wp-content/uploads/2016/07/Notice_of_State-Aid_UKR.pdf accessed March 26, 2024).

15. Poliatykina L. & Samoshkina I. (2018). Priority areas of the small business activation in Ukraine. *Baltic Journal of Economic Studies*, no. 4(3), pp. 228–234. DOI: <https://doi.org/10.30525/2256-0742/2018-4-3-228-234>

16. Pro bukhhalterskyi oblik ta finansovu zvitnist v Ukraini. Available at: <https://zakon.rada.gov.ua/laws/show/996-14#Text> (accessed March 18, 2024).

17. Pro derzhavnu dopomohu subiektam hospodariuvannia. Available at: <http://zakon2.rada.gov.ua/laws/show/1555-18> (accessed March 22, 2024).

18. Pro derzhavnu pidtrymku silskoho hospodarstva. Available at: <https://zakon.rada.gov.ua/laws/show/1877-15> (accessed March 22, 2024).

19. Pro zatverdzhennia Poriadku vykorystannia koshtiv, peredbachenykh u derzhavnomu biudzheti dlia mikrokydytvannia subiektiv maloho pidpriumnytstva. Available at: <http://zakon2.rada.gov.ua/laws/show/794-2011-%D0%BF> (accessed March 27, 2024).

20. Pro zbir ta oblik yedynoho vnesku na zahalnooboviazkove derzhavne sotsialne strakhuvannia. Available at: <http://zakon2.rada.gov.ua/laws/show/2464-17> (accessed March 20, 2024).

21. Pro investytsiinu diialnist. Available at: <https://zakon.rada.gov.ua/laws/show/1560-12> (accessed March 21, 2024).

22. Pro innovatsiinu diialnist. Available at: <http://zakon3.rada.gov.ua/laws/show/40-15> (accessed March 27, 2024).

23. Pro Natsionalnu prohramu spriannia rozvytku maloho pidpriumnytstva v Ukraini. Available at: <http://zakon5.rada.gov.ua/laws/show/2157-14> (accessed March 30, 2024).

24. Pro Poriadok vykorystannia koshtiv oblasnoho biudzhetu, shcho vydiliaiutsia na nadannia finansovo-kredytnei pidtrymky subiektam pidpriumnytstva. Available at: <https://www.adm-km.gov.ua/wp-content/uploads/2024/01/20231214124644264.pdf> (accessed April 12, 2024).

25. Pro prohramu rozvytku maloho i serednoho pidpriumnytstva Khmelnytskoi oblasti na 2021–2023 roky. Available at: <https://www.adm-km.gov.ua/> (accessed April 18, 2024).

26. Pro publichni zakupivli. Available at: <https://zakon.rada.gov.ua/laws/show/922-19> (accessed April 03, 2024).

27. Pro rozvytok ta derzhavnu pidtrymku maloho i serednoho pidpriumnytstva v Ukraini. Available at: <http://zakon2.rada.gov.ua/laws/show/4618-17> (accessed April 03, 2024).

28. Pro skhvalennia Stratehii rozvytku sfery innovatsiinoi diialnosti na period do 2030 roku. Available at: <https://zakon.rada.gov.ua/laws/show/526-2019-%D1%80> (accessed April 15, 2024).

29. Pro Ukrainskyi fond pidtrymky pidpriumnytstva. Available at: <http://zakon5.rada.gov.ua/laws/show/687-95-%D0%BF> (accessed April 05, 2024).

30. Pro utvorennia Derzhavnoi innovatsiinoi nebankivskoi finansovo-kredyt-noi ustanovy "Fond pidtrymky maloho innovatsiinoho biznesu". Available at: <http://zakon3.rada.gov.ua/laws/show/1396-2011-%D0%BF> (accessed March 29, 2024).

31. Tarasova O. V. (2016). Finansovy mekhanizm stiikoho rozvytku pidpriumstv. *Ekonomika kharchovoi promyslovosti*, t. 8, vol. 2, pp. 59–63. (in Ukrainian)

32. Usyk V. I. (2009). Rozvytok poniattia "sektor maloho ta serednoho biznesu" v Ukraini ta YeS. *Aktualni problemy ekonomiky*, no. 4(94), pp. 153–158. (in Ukrainian)

33. Fedosieienko I. H. (2012). Ekonomichniy zmist ta derzhavna pidtrymka rozvytku pidpriumnytstva: dyskusiiini pytannia. *Visnyk ZhDTU*, no. 1 (59), pp. 228–231. (in Ukrainian)

34. Shashyna M. V., Mosiichuk D. O. (2022). Parametrychni kharakterystyky staloho rozvytku pidpriumstv. *Efektivna ekonomika*, no. 3. Available at: <http://www.economy.nayka.com.ua/?op=1&z=10049> (in Ukrainian)

35. Shykina N. A. (2013). Biudzhethno-podatkovyi vazheli yak instrument rozvytku ekonomiky. *Stalyi rozvytok ekonomiky*, no. 1, pp. 345–348. (in Ukrainian)