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## **NEW ECONOMIC REALITIES: DEVELOPMENT OF SMALL AND MEDIUM-SIZED BUSINESSES IN UKRAINE**

### ***Summary***

*The digital economy is based on the activities of small and medium-sized businesses, which leads to profound changes in the construction of strategic management of enterprises today so that they can be managed in the future. One of the main criteria for an effective economy is a high number of enterprises belonging to small and medium-sized businesses, with the overwhelming share of the working-age population employed in them. The role of this sector, in addition to participating in the creation of gross product, is determined by the fulfillment of the most important social function of creating a large number of jobs and ensuring the stability of the labor market and incomes of the population, and ultimately determines the stability of economic systems and resistance to crisis phenomena in the economy. The basics of state support for small and medium-sized businesses in Ukraine have been analyzed. Foreign experience in supporting the development of small and medium-sized businesses was studied. Directions for increasing the efficiency of mechanisms for the development of small and medium-sized businesses in Ukraine are proposed. According to successful examples of foreign experience, supporting small and medium-sized businesses is one of the most effective means of combating crisis phenomena in the economy and involves intensifying work by the state and local authorities in the field of studying the problems of enterprise functioning and implementing appropriate measures that cover them as much as possible.*

### **Introduction**

Today, in economic science there are no unified approaches to the definition of "small business" and "medium business". In domestic literature, these concepts are simultaneously identified with: an economic sector, an economic category and an economic system. Thus, as an "independent economic sector", small business is a complex set of relationships and interdependencies of economic entities, whose representatives occupy a certain place in the socio-economic structure and in the social division of labor, and differ in the resources available to them, values, needs and interests. As an economic category, small business is defined as a specific activity carried out mostly by an entrepreneur who is the owner, aimed at the effective use of socio-economic resources and conditions, aimed at ensuring the appropriate demand and making a profit on the basis of full economic responsibility in conditions of high risk. Defining small business as an economic system, among the features are its

complexity, reliability, dynamism, considering the activity from a material-production and socio-economic point of view. In the literature, small business can be interpreted as a "specific factor of social reproduction", unlike land, capital and labor, it is determined by the ability of the entrepreneur, as a subject of entrepreneurial activity, "to connect, combine factors of production in a special way". Thus, the implementation of activities within the framework of small and in many respects medium-sized businesses is closely interconnected with the personal characteristics of the entrepreneur himself. Most often, small and medium-sized businesses are considered as institutional business entities that perform socio-economic functions. At the same time, economic activity can be carried out both with the formation of a legal entity and without it, with the use of hired labor and individually. To achieve sustainable development of small and medium-sized businesses in the digital economy, it is necessary for the current stage of difficult economic conditions to introduce reforms aimed at supporting business, which can be achieved through the effective use of financial instruments, methods and levers by the state and its main institutions, regulation of the process of strengthening interaction between business entities, as well as, directly, regulation of development processes by business entities themselves through the choice of the optimal system for managing the results of their financial and economic activities.

The economic functions of small and medium-sized businesses in the literature include: the function of an agent of market relations, the function of a taxpayer, ensuring the flexibility of economic systems, accumulation of material and production resources of the population, adaptation to rapidly changing market needs, ensuring highly variable consumer demand, formation and development of a competitive environment. The predominance of large enterprises in the economy does not allow for effective solutions to economic and social problems, which directly affects the standard of living of the population as a whole, the instability of economic indicators, and the competitiveness of the country in the international investment and technology market. The main advantage of small enterprises is their development due to internal potential, high activity, stimulation of self-improvement and the use of the most effective market mechanisms. Thus, small and medium-sized businesses can be defined not only from the position of implementing targeted high-risk entrepreneurial activity based on innovative ideas and aimed at maximizing profit, but also as the main link in the economy, which ensures, through the implementation of socio-economic functions, the needs of the population in affordable goods and services of the required quality and in full, as well as stimulating sustainable economic growth based on the development of innovations and the formation of effective interaction between big business and the consumer. An equally important step is the improvement of international cooperation, as part of stimulating business participation in foreign economic activity. In difficult economic conditions, a company's entry into the international market allows it to significantly strengthen its positions, thereby achieving improved economic performance, which will affect the level of tax revenues. Due to the large number of uncertain factors in the context of increasing crisis phenomena, it is necessary to use the tools of forming operational programs to support small and medium-sized businesses. Growing problems must be

eliminated at the initial stage, this will significantly increase the effectiveness of the implemented measures.

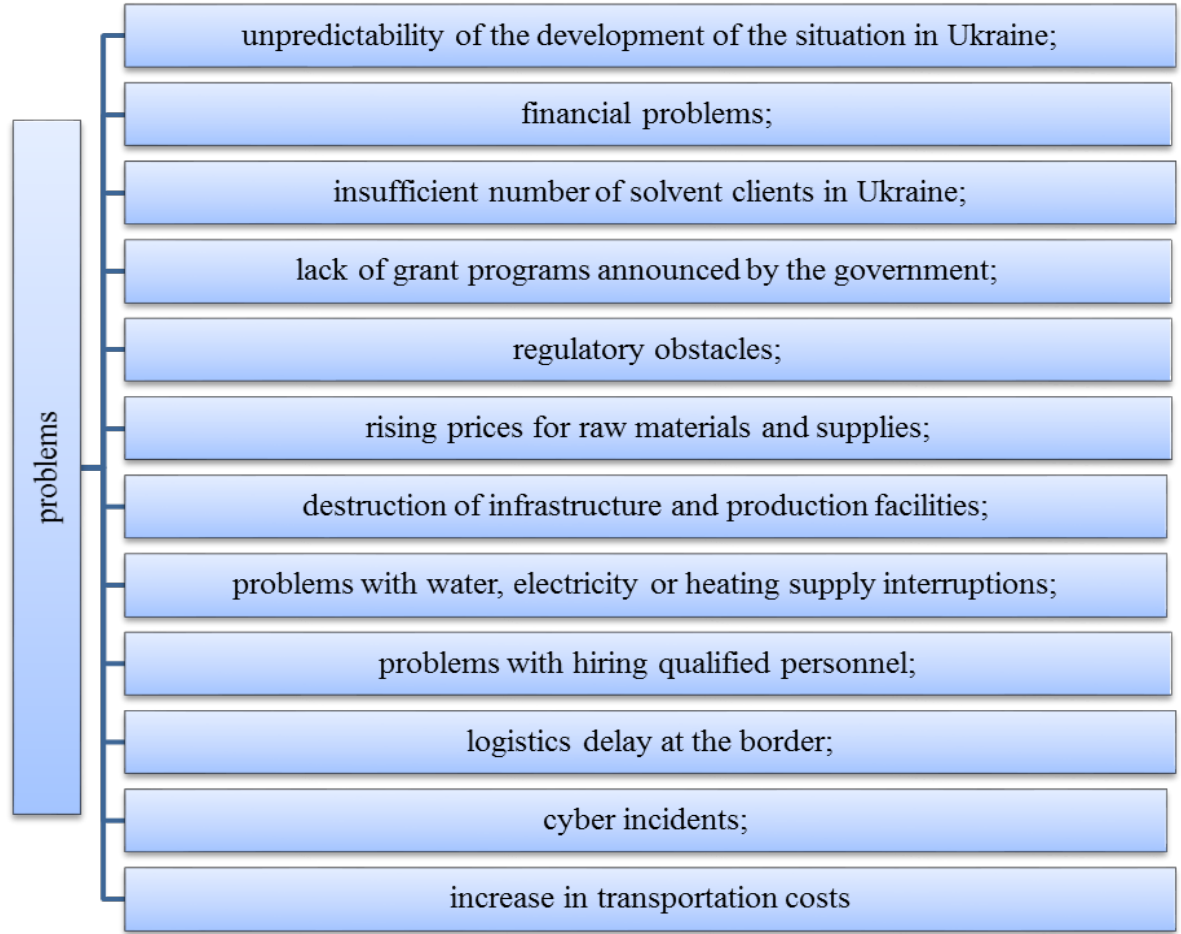
### **Chapter 1. Peculiarities of functioning of small and medium-sized businesses in Ukraine in new economic realities**

The current trend in the development of the world economy is the growing role of small and medium-sized businesses. Being an integral part of the national economy, small and medium-sized businesses are becoming a promising strategic direction for the socio-economic development of the country. A flexible mechanism of operation and high renewal potential allow them to quickly adapt to changes in the market situation. By creating a competitive environment, small and medium-sized business organizations contribute to the development of new types of products and modern technologies, expanding the scale of the market economy. Successful implementation of their advantages leads to rationalization of the structure of the economy, an increase in the revenue side of budgets, reduction of unemployment and ensuring social stability [3]. Thus, promoting the development of entrepreneurship is an important element of the economic policy of countries. The legislation of Ukraine provides for the definition of entrepreneurial activity. Entrepreneurship is a type of human activity aimed at making a profit, based on independence, initiative, personal and economic responsibility of business entities, and is considered one of the most important components of the economic system.

The description of the socio-economic essence of entrepreneurial activity requires some adjustment, since independent activity excludes the activities of organizations in integrated associations, and its innovative and social nature is not taken into account. The indicator of added value will allow assessing the increased contribution of the organization to the national economy [24, p. 149-154]. Such an assessment becomes most in demand in the analysis of trade indicators of small and medium-sized enterprises, in particular when they carry out foreign economic activity associated with the fragmentation of the production process and the presence of a large number of participants in the chain from different countries. To update and take into account modern features, the following author's formulation is proposed [25, p.508]: entrepreneurial activity is an initiative economic activity of business entities of various forms of ownership, aimed at obtaining added value from the sale of goods, provision of services or performance of work, which is of an innovative and social nature. Modern features of entrepreneurial activity require supplementing the definition of entrepreneurial activity with some criteria. The definition proposed by the author allows taking into account a number of features. First, new achievements in science and technology make it possible to create small-sized but effective production structures, which determines the development of small and medium-sized businesses. Most often, the activities of small and medium-sized organizations are focused on narrow sales markets, a high level of specialization, and a constant change in the product range. Digitalization of the economy, venture capital, and science and technology parks have a beneficial effect on the development of small innovative businesses. Thus, modern technologies allow organizations to have a fairly large turnover with a small number of employees, which confirms the need to introduce an

additional criterion for defining entrepreneurial activity [10]. In the literature, small business can be interpreted as a "specific factor of social reproduction", unlike land, capital and labor, it is determined by the ability of the entrepreneur, as a subject of entrepreneurial activity, "to connect and combine factors of production in a special way". Thus, the implementation of activities within the framework of small and, in many respects, medium-sized businesses is closely interconnected with the personal characteristics of the entrepreneur himself [11].

Despite the significant level of state support for business during the war, a number of urgent problems remain unresolved that require resolution and are the most important for the development of small and medium-sized businesses in Ukraine during the war (Figure 1).



**Figure1. Problems of functioning of small and medium-sized businesses during the war**

*Source: developed by the author*

Secondly, high mobility and adaptability of small and medium-sized enterprises to changes in market conditions, introduction of new technologies. Large organizations have the opportunity to attract material, labor and financial resources for the implementation of large innovation projects in a number of industries [33, p. 71]. However, it is small and medium-sized enterprises that implement 2.5 times more

innovations than large ones. As noted in small organizations need about 2.2 years to bring innovations to the market, while large ones – 3.5. Thirdly, in the context of trans nationalization, developing small and medium-sized enterprises are beginning to participate more actively in foreign trade and relations, including foreign investment. For example, according to the share of exports in the USA and Japan of small and medium-sized enterprises is about 45%, in China and India – 65 and 55%, respectively. Evolutionary processes in the field of small and medium-sized enterprises have led to the theoretical and practical awareness of its growing role in national and foreign markets. The concept of entrepreneurship, being a multifaceted and integral socio-economic phenomenon of a market economy, requires adjustment and the formation of a single unified definition [2]. The scientific community is paying more and more attention to a thorough analysis of the causes, features and most important trends in the development of small and medium-sized enterprises with the aim of its further development. Noting the development of Ukrainian small and medium-sized businesses, it is necessary to separately note its lag behind that of similar ones in developed European countries, where the share of small businesses in the gross domestic product is 50% and above, and the employment rate of the population ranges from 55 to 80%. In addition, the values of and other indicators for developed countries exceed the indicators of Ukraine mainly by 1.5-2 times, and for some – even higher. This means that the development of small and medium-sized businesses in our country has slowed down, business entities are choosing the most optimal options for themselves for the transition to market relations in all sectors of the economy. In Ukraine, small and medium-sized businesses actively developed during the period of adoption of a number of regulatory documents that promote the development of entrepreneurial initiative and stimulate business activity. But modern economic conditions against the backdrop of military events and the world crisis have affected the Ukrainian market, which has slowed down its development, and with it, small and medium-sized businesses have begun to choose options for transitioning to market relations in all sectors of the economy. In addition, the performance of these business entities, as before, is low compared to developed countries. Thus, the above circumstances mean the presence of certain unresolved problems that hinder their further effective development and require immediate resolution, especially in the current economic situation in Ukraine. In this regard, the Government of Ukraine pays special attention to the development of small and medium-sized businesses [19, p. 138-139].

Thus, it is planned to improve its business environment, improve the infrastructure of support for small and medium-sized businesses, provide state financial support, form a positive attitude towards the entrepreneurial initiative of citizens and other ways to promote its development. It should be noted that today the level of competitiveness of any country in the world market is directly dependent on the state of development and modernization of its economic sphere. World experience shows that one of the key prerequisites for increasing the competitiveness of the state economy, organizing the processes of formation and realization of its export potential, providing guarantees in achieving a reduction in the unemployment rate of the population, achieving an improvement in the quality of life and, in general,

material enrichment of the state is the development of the entrepreneurship sphere. Optimization of the processes of entrepreneurship development at the current stage of very difficult socio-economic conditions in our state has a significant impact on achieving stabilization and further restoration of the entire system of the national economy of Ukraine. The level of efficiency of the results of the activities of Ukrainian enterprises has a direct impact on the possibilities of achieving economic growth of the country, the level of employment of the population and the level of quality of life. It should be noted that in 2024, there was a slight improvement in the conditions for small and medium-sized businesses in Ukraine. According to the results of a study conducted by Advanter Group analysts on the state of small and medium-sized businesses (SMEs) in Ukraine under martial law in August 2024, in which 635 managers and owners of SME enterprises were surveyed, the Ukrainian Business Index level demonstrated a gradual increase over several phases of the study, but still remains at a rather low level (the indicator is 38.2 out of a possible 100%). The UBI indicator demonstrates the level of business activity, shows its ability to increase turnover and create jobs [20, p. 73-77]. The index value below 50% is evidence of negative expectations. Business representatives in Ukraine point to the presence of negative factors that prevent them from developing entrepreneurial activity, in particular: the unpredictable nature of the state's actions in the field of business regulation, a significant increase in the level of pressure from law enforcement agencies and control bodies, the almost complete lack of access to attracting the necessary financial resources, etc. Thus, Ukrainian small and medium-sized businesses do not see any possible prospects for improving the general economic situation and developing the business environment in the country. Thus, the presence of problems in the activities of Ukrainian enterprises, which were caused by the occupation and hostilities, is one of the biggest obstacles to filling the budget of Ukraine, which had a very negative impact on the country's economy during this period.

Thus, we see that the last year has become very difficult for Ukrainian business. The profitability of their activities has significantly decreased during the period of large-scale war, and given the importance of entrepreneurship for the national economy, state intervention and support for the entrepreneurship sector are necessary.

## **Chapter 2. Analysis of the effectiveness of public policy and fundamentals of state support for small and medium-sized businesses in Ukraine**

For the purposes of full-fledged development of small and medium-sized businesses, state regulation and support play a decisive role. The concept of state support in the literature is associated with the formation of an economic, legal and organizational and managerial environment that provides the most favorable conditions for the activities of these enterprises [15]. The process of regulation and support of small and medium-sized businesses involves the performance of various tasks by the state.

Towards the creation of an organizational and legal basis for entrepreneurial activity, namely [13]:

- legislative consolidation of the legal status of small and medium-sized enterprises;
- formation of rules in the field of creation, registration and liquidation of enterprises, requirements and procedures for keeping records and providing reporting;
- implementation of activities to protect the rights of entrepreneurs in the field of property protection, trademark, etc., as well as relevant consumer rights;
- development, regulatory consolidation and practical implementation of rules for standardization and certification of goods and services, implementation of activities to control the quality of manufactured and sold products.

In the field of socio-economic foundations of small and medium-sized entrepreneurship, the state is developing regulatory support for the labor sphere and the effective functioning of the labor market. The state's task is to form the basic rules and ethical and legal norms for conducting business activities and ensuring their compliance. This area includes work on combating corruption and fraud, illegal entrepreneurship, legalization of illegal income, as well as ensuring conditions for effective resolution of conflicts between business entities.

The state also implements measures that stimulate the improvement of the efficiency of business activities, including through [4]:

- formation of a favorable investment climate;
- promotion of lending to small and medium-sized enterprises;
- stimulation of cooperation between business entities in the field of scientific and technological development;
- support for the export of products and services of small and medium-sized businesses;
- promotion of the creation and development of effective business infrastructure in the field of transport, communication, financial, insurance and other services.

Among the mandatory functions of the state, the formation of conditions for the development of competition is also highlighted, within which the competitive advantages of enterprises are determined by the development of technologies and the introduction of innovations in all areas of business activity. The functions of the state in the field of promoting the development of small and medium-sized businesses in economic literature include promoting the growth of the number of people among the population who have the need and the opportunity to implement the ideas of modern entrepreneurship based on innovations in various sectors of the economy, regions and business structures. In general, the identified tasks and functions are implemented in the form of a system of state support for small and medium-sized businesses.

Depending on the content of state support for small and medium-sized businesses, administrative, economic and institutional methods are distinguished, which involve the use of special mechanisms that promote the development of entrepreneurship. Administrative methods are implemented by creating a regulatory framework that regulates various areas of operation of small and medium-sized enterprises, using appropriate mechanisms that promote the growth of entrepreneurial activity [8, p. 35]. Economic methods of support include financial and credit and budgetary areas, the former relate to the scope of supply and cost of borrowing to ensure the activities of

small and medium-sized enterprises and investment in their development, the latter include mechanisms of financing and subsidizing from budgets of various levels. Methods of institutional support are aimed at creating and operating a state support infrastructure within the framework of which regulatory, informational, and consulting support for small enterprises is carried out.

The combination of various methods and mechanisms makes it possible to form a comprehensive system, the influence on its individual components allows solving the current problems of small and medium-sized businesses and stimulating the growth of innovations in the sector.

In order to compare the ease of doing business and identify the effectiveness of state regulatory policies between different countries of the world, the World Bank Group [5] initiated a rating assessment, the basis of which is the Ease of Doing Business Index, which is calculated based on annual data from countries [5]. The World Bank's Doing Business ranking is an integrated indicator that assesses the ease of doing business in countries; it is the result of a survey conducted annually and assesses the level of ease of doing business in countries around the world, taking into account ten indicators. The components of the ranking assess the regulatory acts that regulate the activities of enterprises throughout their life cycle, and also examine the degree of their actual use in practical activities. The project to form the Doing Business ranking began in 2002. To calculate the country rankings, the legal norms that the state applies to the activities of private enterprises are analyzed according to 12 indicators. To calculate the Rating, ten such indicators were included in the overall rating to identify the level of favorability of the country's business conditions, including: "establishing new businesses", "ease of obtaining permits", "ease of connecting businesses to electricity supply systems", "ease of registering property", "access to credit", "protection of minority investors", "taxation", "degree of international trade", "enforcement of agreements and contracts", "insolvency resolution processes". The Rating also measures labor hiring indicators and the processes of concluding contracts by businesses with the government". Creating a favorable environment and business climate for entrepreneurs to conduct business and develop entrepreneurship is one of the main medium-term directions in reforming in Ukraine, which is confirmed by the Sustainable Development Strategy "Ukraine-2025" [7].

The modern system of enterprise development mechanisms in Ukraine is characterized by the presence of a budget, credit component of financing and a self-financing mechanism (entrepreneurs' own funds). According to data published by the State Statistics Service, for Ukrainian enterprises in the period 2018-2022. the main source of investment is own funds, the share of which is 67.5% – 65.4% in the total volume of financing of enterprises in Ukraine, the share of loans and other external loans is from 7.6% to 10.8%, and funds received from local budgets are from 5.2% to 9.1%, financial support from the state budget is within only 2.5% – 4.9%. Current Ukrainian legislation defines small and medium-sized businesses through business entities, which include legal entities and individual entrepreneurs that meet the conditions set forth in the legislation. Small businesses are an organizational and

economic type of enterprise that, according to the Economic Code of Ukraine, is classified by the number of employees with a gradation by field of activity [17].

In particular, small businesses include enterprises with a number of employees from 15 to 200 people, depending on the industry or type of activity. Thus, in industry and construction, small businesses are considered to be enterprises that employ up to 200 people, in other sectors of the production sector – up to 50 people, in science and scientific services – up to 100 people, in non-production sectors – up to 25 people, and in retail trade – up to 15 people. Medium-sized enterprises are an organizational and economic type of enterprises that, according to the Economic Code of Ukraine, are classified by the number of employees. Medium-sized enterprises have a number of employees from 20 to 249 people [18].

Table 1

<b>Structure of capital investments by source of financing of entrepreneurial activity in Ukraine in the period 2020-2024, %</b>					
Indicator	2020	2021	2022	2023	2024
From the state budget	2,5	2,6	3,4	3,9	4,9
From local budgets	5,2	7,5	9,3	8,7	9,1
From own funds	67,5	69,3	69,1	70,8	65,4
From loans	7,6	7,5	6,6	7,7	10,8
From foreign investors	3,0	2,7	1,4	0,3	0,7
From public funds	11,7	8,3	7,3	6,0	5,2
From other sources of financing	2,4	2,1	2,9	2,5	3,9

*Source: based on the data [7; 17; 18]*

The total amount of credits (loans) that the state attracts to special funds of the State Budget from foreign countries, banks and international financial organizations in order to implement investment projects is 1017 million euros in the analyzed period. The conducted research shows that today insufficient financial resources are allocated from the state budget to support and develop the entrepreneurship sector in Ukraine. However, the implementation of the decentralization reform shows the presence of positive results in providing support to business entities at the regional level – from funds of regional, district budgets and local government budgets provided to the approved programs for the development of the entrepreneurship sector.

However, the conditions for business in Ukraine changed with the outbreak of the war. In Ukraine, during the introduction of martial law, the Government introduced a number of new tax benefits aimed at supporting the development of entrepreneurship during the war. Thus, with the beginning of the full-scale invasion of the Russian Federation into Ukraine, the Government decided to introduce a number of tax and customs benefits for business, in particular [13]:

- benefits in paying the social security tax by individual entrepreneurs; a new tax rate of 2% of the turnover for business representatives was introduced, which became an alternative to paying VAT and corporate income tax;

- the Government exempted enterprises operating in territories where hostilities continue or were conducted, and in temporarily occupied territories from the need to pay for land, canceled the environmental tax and real estate tax;
- the Government canceled the need to pay VAT and import duties on goods and vehicles during martial law in the country;
- the government has canceled customs payments for operations on the import of goods intended for law enforcement agencies, the Ministry of Defense, the Armed Forces of Ukraine, volunteer formations, the army, etc.;
- the authorities have introduced a simplified procedure for VAT exemption for medicines, medical devices and auxiliary means for them;
- a simplified procedure for declaring goods has been introduced through the submission of preliminary customs declarations, which contain all the necessary information necessary for the release of products.

The fact that the Government of Ukraine introduced such tax and customs benefits is evidence of a sufficient level of flexibility in the response of the authorities to the challenges for business and the population during the war. It should be noted that the promptness of the authorities' introduction of a number of anti-crisis measures allowed enterprises to accelerate the process of gaining access to preferential operating conditions, which eased their financial situation and allowed them to save jobs. It should be noted that the adoption of tax and customs benefits in general had a positive impact on the operating conditions of representatives of Ukrainian business, contributed to its partial recovery and allowed them to develop in difficult economic conditions, which demonstrates the pragmatic approach of the authorities to providing support to the national economic system. Thus, the analysis of statistical data and the consideration of rating assessments on the state and current trends in the development of Ukrainian entrepreneurship in recent years indicate an inadequate level of state regulatory policy in the field of entrepreneurship, characterized by a low level of efficiency [14]. The peculiarities of such a situation determine the urgent need of the business sector to receive effective state support, aimed primarily at building and forming a positive climate for business in the economic and legal spheres.

In Ukraine, in the conditions of a large-scale war (although not officially declared), the level of development of small and medium-sized businesses does not meet either the current needs of the country's economy, or even more so the potential requirements of the world market. The reasons that inhibit the development of small businesses in the country are the difficult socio-economic situation, the rupture of economic ties, the deterioration of payment discipline, and the high level of interest rates. One of the most acute problems of SME activity is the problem of finding and obtaining financial resources. State financing of entrepreneurship is considered non-market and therefore an inappropriate method of state influence on the development of economic processes. The small business segment in the total mass of business entities occupies a leading position. The activities of SME are one of the most important factors contributing to the flexibility of the economy, the expansion of markets for goods and services, the mobilization of financial and production resources of the population, and the increase in the country's national product.

The most important function of small and medium-sized businesses is the creation of new jobs, which ensures employment of the population – young people without work experience. They gain production experience and will be able to move to a new career level in big business. The organizational foundations of SME activities in the conditions of market transformations are provided with state support, however, there are unfinished issues that have caused problems in the development of small businesses [3].

### **Chapter 3. Directions for increasing the efficiency of mechanisms for the development of small and medium-sized businesses in the digital economy**

The achievement of the development of the entrepreneurial sphere is influenced by priority goals at different levels of their development, as well as in the formation of the system and the establishment of connections. Thus, consideration of the internal processes of the organization of the enterprise management system shows that it is formed on the formation of integration interaction between different types of enterprise potentials that carry out the process of managing information and energy flows, material resources, and the organization of interaction between resources makes it possible to ensure a dynamic balance of entrepreneurial activity and the possibility of business development.

Transformational processes require the enterprise management to implement a quick and qualified response in the process of these changes. Successful or unsuccessful decision-making is a process that does not have a single correct assessment system, as is the reaction to changes for all levels of management. Each level is characterized by its own specific degree of significance in the process of achieving the strategic goals set by the enterprise, therefore it must be evaluated according to various criteria that are characteristic of this level of management, taking into account its inherent features and functions [30]. Therefore, there is a need to determine a list of characteristics, indicators and metrics that can objectively reflect the level of efficiency and effectiveness of management of business entities, which will allow assessing the entire management system and the effectiveness of state regulatory policy, expressed in external factors, in particular from the state. The goal of improving state policy in the field of small and medium-sized business development is to achieve the necessary level of socially beneficial results by the country. In the conditions of martial law and the crisis caused by the war, great pressure is exerted from several sides: shortcomings of the general legal framework and economic situation, unresolved problems of civil-legal and administrative relations exacerbate the problem under consideration.

Considering the place of small and medium-sized businesses in modern conditions, revealing existing relationships, it is necessary to state the dominant influence of decisions made at the state level on legal, economic and partly external conditions [19]. The system of decision-making and powers at the regional and municipal levels has frameworks, and is limited by them, taking into account the peculiarities of the budget process. Additionally, interregional competition is increasing today, both from the side of business and state structures through available tax measures

(for example, the possibility of changing the level of tax rates, payments, etc.). Currently, the capabilities of programs that form the conditions for priority business development in martial law are poorly used. Goal setting at the local government level today is formed without the involvement of professional market participants and independent expert communities, these circumstances do not allow for a strategically correct establishment of the direction of development and the tasks necessary to achieve both short-term and long-term goals. As a result, a very narrow range of tasks is being solved, and business support programs do not cover the existing problems as a whole. Additionally, the existing system of subordination in public administration makes its negative contribution, as a result, false goals are indicated in the programs [10]. Thus, local authorities, being the leaders of public policy, repeat their theses and goals verbatim, and in some cases the head of local authorities authoritarily promotes his views, not taking into account the opinions of interested parties, which is also reflected in the content and quality of the applied business support measures.

In this situation, it is necessary to state that to the same extent as companies in the process of forming development goals need to take into account the ideas, wishes and needs of employees, so too do public authorities need to base development programs taking into account the experience and professional opinion of market participants.

When making decisions in this area at the state and local levels, it is first necessary to be guided by the opinion of business representatives, secondly, an objective assessment can be obtained with the help of independent expert communities and representatives of unions and associations, and only after these actions proceed to the formation of state initiatives in the field of business support at the local level. At the national level, a business support program should be built primarily on the basis of local data, forming a set of sections [1]. Data from independent communities, unions and associations are used to identify global tasks and innovative ways to solve potential and existing problems.

The identified business support goals should also correlate with the requirements of a globalizing economy. Today, a key aspect of the main goals and objectives of business support programs in countries leading in economic development is innovation. In addition to innovative business development (introduction of new technologies, training of employees, etc.), separate programs are provided to support the creation of innovations and technological innovations. In the modern global economy, technological development processes are growing significantly and ignoring or insufficient attention to the degree of their significance for the effective operation of business in the global market slows down the national economy and reduces its potential in the future. As part of the formation of the goals of the program to support small and medium-sized businesses, taking into account the interests of the parties, aimed primarily at preventing potential risks, it is necessary to improve the assessment of the activities of state bodies within the framework of the development of entrepreneurship in cities and regions. The next area of improvement is to improve the conditions for interregional business interaction. The existing system of interregional interaction is limited by such factors as: lack of information about regional programs in this region; there are no goals for small business companies to

enter other regions; there is no certainty about what kind of assistance from regional authorities makes sense for business activities [9]. The positive aspects of the development of interregional interaction in recent times are manifested in the following: in times of crisis, business representatives independently increase interregional interaction, the level of expansion to other regions has increased significantly in recent times, the absence of administrative obstacles allows companies to expand the geography of their activities, maintaining and developing commercial activities in conditions of economic contraction.

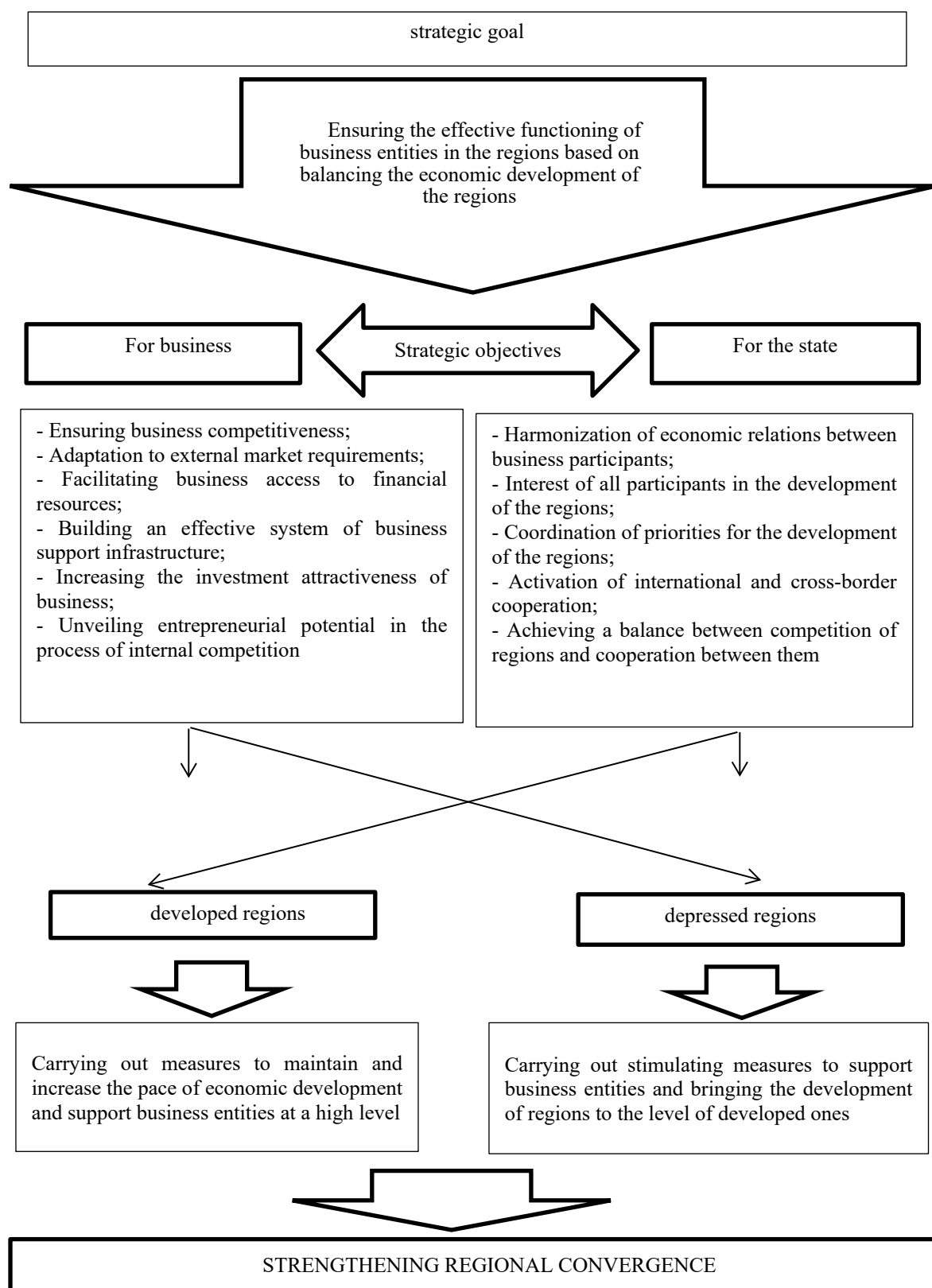
Economic incentives are a serious step, tax benefits have shown their effectiveness in the EU and the USA, and can be transferred to Ukrainian conditions to stimulate the development of activities in other regions. The problem of providing a guarantee deposit for participation in government orders in other regions can be taken on by local authorities provided that there is a positive experience of working with the enterprise. An equally important step is the improvement of international cooperation, within the framework of stimulating business participation in foreign economic activity. In difficult economic conditions, the company's entry into the international market allows it to significantly strengthen its positions, thereby achieving improved economic performance, which will affect the level of tax revenues. The development of this direction can be achieved through a wider coverage of the potential audience, information on foreign markets should be available through the work of online services and contain information on all procedures (customs clearance, banking regulation, etc.). Retransmission of statistical data by country with the possibility of independent sampling by areas of activity and other things of interest will have a positive effect. On-demand service can be considered both at the level of a specialist and a competently configured robot, in addition, this system should identify the most promising categories of issues for more detailed study.

In addition to the above tasks in the field of improving state measures to support small and medium-sized businesses, one cannot fail to mention the low level of financing of programs aimed at business development. This problem is systemic in nature, as it is noted in all regions of the country. Comparing with data from foreign countries, it can be noted that average budgets for business assistance amount to from 5% to 15% of tax revenues, in addition, expenses for supporting small businesses are increasing from year to year, some programs plan to double support budgets by 2025. In modern conditions, the amount of funding needs to be revised upwards, in times of crisis, budgets need to be increased many times over with the help of special funds, the budget process should be more flexible and meet modern economic challenges [21]. Monitoring is necessary both to understand the effectiveness of implemented measures and to create transparency for analyzing and improving management processes at the state level, prompt access to data will significantly increase the response time to potential problems. It is impossible to form a system based on preventing and minimizing potential risks in rapidly changing economic conditions without prompt feedback. Interest rate compensation funds must be increased many times in crisis economic conditions, the main goal of all levels of government is to

ensure the survival of business, this can be successfully implemented with an integrated approach to this problem.

In crisis conditions, the most vulnerable sector in business activities is innovation projects (according to experts, they are primarily subject to reductions), in connection with which it is necessary to direct additional administrative efforts to encourage the implementation of innovations, by introducing a temporary moratorium on payments and taxes. Due to the large number of uncertain factors in conditions of increasing crisis phenomena, it is necessary to use the tools of forming operational programs to support small and medium-sized businesses, the growing problems must be eliminated at the initial stage, this will significantly increase the effectiveness of the implemented measures. As a result, a comprehensive solution aimed at improving state support and regulatory policy in general under martial law and economic crisis will allow to improve the quality of work of state structures in solving this problem. To support small and medium-sized businesses (including in adverse economic conditions) in the field of high technologies, foreign experience can be applied, which forms a support system, by creating special funds for "development of innovative activity", "development of scientific and technical potential".

In addition to the above, it is necessary to establish interaction between Ukrainian state and foreign business support programs. To solve this problem, it is necessary to form a common database using modern IT technologies, through which business entities will have access to a complete picture of implemented support programs (international organizations, state programs, private funds), with the help of this service it is possible to establish a wide professional discussion of the results, exchange experience, and keep records in dynamics of completed and ongoing programs. It should be noted that the main goal of effective state policy in the field of small and medium-sized businesses is to ensure the state of internal balance and maintain equilibrium in the mutual exchange of the enterprise and the external environment, which will have a favorable impact on achieving optimal adaptation of the entire system (which is the enterprise) to the conditions of the external environment, and will also create appropriate conditions to ensure continuous development, both on a regional scale and of the state as a whole [2]. The analysis conducted showed that the development of business entities in different regions of Ukraine is heterogeneous, but quite synchronous, therefore overcoming such an imbalance is possible through achieving equalization in economic development between regions, which will ensure the avoidance of existing discrepancies and reduce the gap in the levels of development of Ukrainian territories and business entities operating in these territories. To achieve sustainable development of the entrepreneurship sector in Ukraine, it is necessary for the current stage of difficult economic conditions to introduce reforms aimed at supporting business, which can be achieved through the effective use of financial instruments, methods and levers by the state and its main institutions, regulation of the process of strengthening interaction between business entities, as well as, directly, regulation of development processes by business entities themselves through the choice of the optimal system for managing the results of their financial and economic activities [32].



**Figure 2. Proposed concept of strategic principles of state regulatory policy of Ukraine in the field of small and medium-sized businesses**

*Source: developed by the author*

Figure 2 presents the recommended concept of strategic principles of state regulatory policy aimed at smoothing the levels of economic development of all business entities in Ukraine. The main goal of implementing strategic principles to achieve business development allows us to determine a list of key tasks, the implementation of which will have a beneficial impact on the activation of the development of small and medium-sized businesses located in all regions of Ukraine.

### **Conclusions**

In Ukraine, small and medium-sized businesses in the digital economy have been actively developing during the period of adoption of a number of regulatory documents that promote the development of entrepreneurial initiative and stimulate business activity. However, modern economic conditions against the backdrop of military events and the global crisis have affected the Ukrainian market, which has slowed down its development, and with it, small and medium-sized business entities have begun to select options for the transition to market relations in all sectors of the economy. In addition, the performance indicators of these business entities are still low compared to developed countries. In general, the system of state support for small and medium-sized businesses is considered as a set of measures that combine legal, resource, organizational and social support for the economic activities of these entities, creating the necessary conditions for development and implementing specialized and targeted programs at the state and local levels. Of great importance in the implementation of state programs to promote the development of small and medium-sized businesses is the building of effective cooperation and interaction between the state and representatives of the sector. The Government of Ukraine pays special attention to the development of small and medium-sized businesses. Thus, it is planned to improve its business environment, improve the infrastructure to support small and medium-sized businesses, provide state financial support, form a positive attitude towards entrepreneurial initiative among citizens, and other ways to promote its development. In Ukraine, it is currently necessary to actively develop small and medium-sized businesses, significantly increasing their share in GDP. Of course, the experience of foreign countries and its use are of great importance for Ukraine, especially in terms of developing a long-term strategy for the development and support of small and medium-sized businesses. The study and application of this experience would significantly contribute to the legal, organizational and institutional development of the Ukrainian state system of support and regulation of small and medium-sized businesses at both the state and local levels.

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