ENTREPRENEURSHIP IN UKRAINE: CURRENT STATE AND DEVELOPMENT PRIORITIES

Abstract. The article examines the current state, trends and priority areas of entrepreneurship development in Ukraine during the war and the post-war period.

The author analyses the scale of direct and indirect losses caused by military aggression to Ukrainian business, which at the beginning of 2023 reached USD 13 billion and UAH 33.1 billion, respectively. The article provides data on the number of large and medium-sized enterprises with damaged or destroyed infrastructure.

The current state of small and medium-sized businesses in Ukraine is analysed on the basis of research data. The main factors supporting business recovery and ways to overcome them are identified. Statistics on the number of newly created enterprises and those that ceased operations during the war are provided. The regions with the largest losses and, on the contrary, the growth of individual entrepreneurs are identified.

The article analyses the programmes of state support for business through financial assistance, tax benefits, and simplification of regulatory procedures. The article provides statistics on loans issued by banks under the 5-7-9% programme.
Grant programmes for entrepreneurs from USAID and the government are highlighted. The eRobota grant programme and its positive impact on business and economic development are described.

The author identifies priority areas of entrepreneurship development to accelerate economic growth during the war and the post-war period, including the development of high-tech military-industrial complex, innovative technologies, agricultural sector, manufacturing industry, and tourism.

The conclusions emphasise the importance of ensuring favourable conditions for the restoration and development of Ukrainian entrepreneurship through financial support, preferential taxation, simplification of administrative procedures, stimulation of innovation and digital transformation of business. Only a comprehensive approach by the state and business will allow to realise the existing potential for entrepreneurship development in Ukraine.

**Keywords:** entrepreneurship, business losses incurred, recovery, state support, loans, grants, development priorities.

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**ПІДПРИЄМНИЦТВО В УКРАЇНІ: СУЧАСНИЙ СТАН ТА ПРИОРІТЕТИ РОЗВИТКУ**

**Анотація.** У статті досліджується поточний стан, тенденції та пріоритетні напрямки розвитку підприємництва в Україні в умовах війни та на післявоєнний період.

Проаналізовано масштаби прямих та непрямих збитків, завданих військовою агресією українському бізнесу, які на початку 2023 року сягали 13
млрд долларов США и 33,1 млрд гривен соответственно. Наведены данные о количестве больших и средних предприятий с поврежденной или разрушенной инфраструктурой.

Проанализирован поточное состояние малого и среднего бизнеса в Украине на основе имеющихся данных. Выявлены основные факторы, способствующие возобновлению бизнеса и строительству их подделания. Наведена статистика о количестве новых или восстановленных предприятий и тиках, которые привели к вспышке за период войны. Выявлены регионы с наиболее высокими затратами и наводами рост ФОПов.

Проанализированы программы государственной поддержки бизнеса через финансовую помощь, налоговые льготы, упрощение регуляторных процедур. Наведены статистика кредитов, выданных банками за программу 5-7-9%. Высвобождено грантовые программы для поддержки ФОПов через USAID и управляющую. Охарактеризовано грантовую программу "Робота" и з положительный эффект на рост бизнеса и экономики.

Выявлены приоритетные направления развития подсобного бизнеса для приспособления экономического роста в условиях войны и послевоенный период, среди которых: развитие высокомелкомпьютерного ВПК, инновационной технологий, аграрного сектора, промышленной промышленности, туризму.

У выявлено углублено на важность обеспечения приоритетных умов для развития и развития украинского подсобного бизнеса через финансовую поддержку, пограничное оподаткование, упрощение административных процедур, стимулирование инноваций и цифровой трансформации бизнеса. Лишь комплексный подход с помощью государства и бизнеса позволит реализовать имеющийся потенциал для развития подсобного бизнеса в Украине.

**Ключевые слова**: подсобное предприятие, заведенные убытки бизнеса, возобновление, государственная поддержка, кредиты, гранты, приоритеты развития.

**Formulation of the problem.** The study of the problems of entrepreneurship development in Ukraine is especially relevant in the current context, when our country has faced difficult economic and social challenges due to the war, and entrepreneurship is primarily vulnerable to the consequences of the war. In 2022, almost a fifth of business entities ceased operations, but most entrepreneurs are still looking for ways to adapt to new circumstances, raise financial reserves for their development, transform their operations or relocate their businesses to safer regions. In order to mitigate the negative impact of the war and find ways to improve the situation for entrepreneurs, it is necessary to constantly analyse business development trends and find ways to solve existing problems.

**Analysis of research and publications.** The problems of business development are addressed by Ukrainian scholars: N. Vasilets [4], D. Levchynskyi [5], T. Murovana [6], N. Kovalchuk [9], T. Melnyk [10].
A significant advantage of entrepreneurial activity is the possibility of taking into account and using local historical, cultural and resource differences of the territories, namely, the entrepreneurial model is interested in the development of the village, residents and entrepreneurs and resource owners living outside it [11, p. 41]. That is, entrepreneurship creates opportunities for the production of competitive economic and social goods that are aimed at the market for transactions of socio-economic exchange [12, p. 6].

It is also advisable to understand the business model of active business entities that will be able to gain financial sustainability in the long run, and not just receive various state aid [13, p. 49].

The authors of the Institute of Agrarian Economics emphasise that entrepreneurial activity is one of the guidelines for Ukraine's implementation of sustainable development goals, but noting the destructive impact of the military action factor, the processes of cooperation and integration are of particular importance for the stability of food security and rational use of resources [14, p. 3]. Since the formation of a new economic system involves ensuring the efficient, competitive development of entrepreneurship, frequent changes in institutional conditions and the military factor are constraints to the realisation of their capacity for effective functioning [15, p. 31].

M.Y. Malik, O.G. Shpikulyak, V.A. Mamchur proposed methodological principles of institutional formalisation of family farms with the development of institutional contours of the mechanism for establishing the economic status of "family farm", taking into account the national institutional and legal framework and foreign experience of institutionalisation of the farming system [16]. Forecasting the development of entrepreneurship is a crucial stage in planning and determining the most important factors that affect their economic activity, as it deals with judgements about the state of their development in the future [17, p. 570]. That is, the expansion of production, increase of the resource base of business entities is important especially when the effectiveness of their activities depends on the modern competitive environment in accordance with the needs of target market segments [18, p. 300]. A condition for the formation of the internal economic mechanism of enterprise development is their functioning as a single production and economic complex on the principles of planning and self-sufficiency and on the basis of the use of the manager's entrepreneurial skills [19, p. 286].

However, in the context of a prolonged war, new challenges and threats are emerging that have a negative impact on business. Therefore, there is a need to analyse business development trends and find effective solutions to minimise the negative impact of the war and increase resilience.

The purpose and objectives of the article. The purpose of the article is to study the current state, trends and identify priority areas for the development of entrepreneurship in Ukraine in the current conditions and in the post-war period. The objectives of the article are to analyse the extent of the war's impact on
entrepreneurial activity, to assess the damage caused to business, to identify key problems and risks for entrepreneurial development, and to monitor the programmes of state support for business, in particular, through the provision of financial assistance, tax preferences, and simplification of regulatory procedures.

Summary of the research results. According to experts, the total amount of direct losses incurred by Ukrainian businesses as a result of the Russian Federation's attack and aggression against Ukraine as of the beginning of 2023 was estimated at USD 13 billion. These are only direct losses of state-owned and commercial enterprises, as well as individual entrepreneurs, while the total indirect losses are estimated at $33.1 billion, and the amount required to restore the enterprises is $24.9 billion [1].

By the end of 2022, at least 109 large and medium-sized enterprises suffered direct losses as a result of the full-scale invasion launched by Russia on 24 February 2022. According to experts, 19 private and state-owned enterprises, 17% of which are large and medium-sized, were completely destroyed, while another 90 (83%) were partially damaged [1].

In August 2023, the Innovation Development Centre conducted a study of the state of small and medium-sized businesses (SMEs) in Ukraine. According to the study, the UBI Business Activity Index in August was 38.23 out of a possible 100, which is a low indicator. Compared to June 2023, it has slightly increased (by 3 points) due to the activity of entrepreneurs, but still indicates still negative business expectations, as positive expectations are those in the range of 50 to 100 [2].

About 13% of Ukrainian companies fully or partially suspended operations in 1H2023, while only 9% increased production. Average expectations for turnover growth in 2023 compared to 2022 increased from -0.7% in June to +8.2% in August. More than a third of surveyed entrepreneurs predict an increase in turnover in the current and next year [2].

Businesses see the unpredictability of the situation in Ukraine caused by the war (56%), unpredictable actions of the state (48%), and lack of solvent customers (48%) as the biggest obstacles to recovery. Entrepreneurs identify the fight against corruption (73%), judicial reform (49%), taxation reform, and improved access to credit as priority tasks for the government. 87% of surveyed entrepreneurs continue to help the Armed Forces of Ukraine and implement humanitarian projects [2].

Despite the negative aspects of business development during the war, some positive aspects should be noted, including a decrease in the share of dismissed employees from 26% in April to 22% in August, as well as a decrease in the share of employees on forced leave and with reduced salaries. It is also encouraging that, despite the difficulties and challenges caused by the war, at the beginning of autumn 2023, according to the opendatabot website, about 2 million 50 thousand individual entrepreneurs were officially working in Ukraine [3]. Despite the war, the number of business entities is growing (Fig. 1).
In June 2022, 31,447 new sole proprietorships were registered, which is the best figure for the last 3 years. On average, about 25 thousand new sole proprietorships are registered every month. At the same time, from April 2022 to September 2023, more than 290,000 sole proprietorships ceased operations. On average, about 17 thousand sole proprietors cease to operate every month [3].

The full-scale war also had a significant impact on the number of businesses in the regions. The largest difference between the opening and closing of sole proprietorships during this period was recorded in the frontline regions and in those areas where hostilities are taking place. Thus, the largest losses in the number of sole proprietorships were recorded in Donetsk (-8.2 thousand), Kharkiv (-7.1 thousand), Kherson (-4.5 thousand), and Luhansk (-3.7 thousand) regions. Zaporizhzhia region lost more than 2,000 individual entrepreneurs. Despite the negative trends in the number of business entities, especially in the frontline regions, some regions have, on the contrary, seen a positive trend in the number of sole proprietorships over this period. For example, the highest growth rates were recorded in Kyiv (+12.9 thousand), Lviv (+12.3 thousand) and Dnipro (+8.6 thousand) [3].

Government support is crucial for business development and economic growth in times of war (Figure 2).

Transparency, efficiency and focus are key factors for achieving the best results. An analysis of state support for entrepreneurship development shows that it primarily includes financial assistance, simplification of procedures, tax benefits, and programmes to stimulate entrepreneurship development [6].
Since the start of Russia's full-scale invasion of Ukraine on 24 February 2022, the government has been preparing measures to support Ukrainian businesses. The goal was to prevent massive business bankruptcies and preserve the country's economic potential for future recovery. Financial assistance was one of the main instruments used to do so. In particular, the State Fund for Enterprise Support provided interest-free loans to ensure current operations. In addition, a moratorium on inspections and fines was introduced, and the procedure for obtaining government orders was simplified.

The government has launched public procurement programmes focused on domestic producers, particularly in the defence sector. This helped boost domestic production and exports. At the same time, tax holiday programmes were launched to attract new investments. International assistance also played an important role. Thanks to the support of the EU, the US, and other countries, Ukraine received significant financial resources, which helped to compensate for the business losses caused by the war.

Thus, the government has taken a systematic approach to supporting businesses using a variety of economic instruments. This helped to preserve the

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**Fig. 2. Priorities of state support for development of entrepreneurship in Ukraine.**
human resource potential and investment climate for the future overcoming of the war's consequences.

In terms of specific instruments to support entrepreneurship development, the largest funding programme, according to the Ministry of Economy of Ukraine, is the 5-7-9% business lending programme. Thus, since the beginning of 2023 alone, banks have issued 23,000 loans totalling UAH 84 billion to businesses under this programme, and since its launch in February 2020, 7,570 loans totalling UAH 249 billion have been issued [7].

Entrepreneurs received mostly anti-crisis (UAH 60 billion) and military loans (UAH 54 billion). UAH 28 billion was disbursed to refinance previously borrowed funds, UAH 39.4 billion to replenish working capital, and UAH 20.3 billion for investment purposes. In addition, farmers received a significant amount of loans - UAH 35.5 billion to support their activities, and trading companies - UAH 4.6 billion to replenish working capital [7].

The most frequent borrowers under the programme were enterprises from the following sectors: agriculture (50%); wholesale and retail trade (26%); and manufacturing (15%). In terms of the number of loan agreements signed, Lviv, Odesa, Dnipro, Kharkiv, Kyiv, Vinnytsia regions and the city of Kyiv are the leaders in terms of regional distribution [7].

Starting from 13 June 2023, the Ukrainian government has allocated UAH 7.8 billion to continue the business financing programme. This will enable the continuation of the national programme "Affordable Lending at 5-7-9%", under which the state covers up to 80% of loans issued by banks to entrepreneurs.

Under the Competitive Economy of Ukraine programme USAID, in partnership with the Ministry of Economy of Ukraine, provides grants ranging from UAH 600,000 to UAH 1.2 million to support business continuity and recovery. The grants can be used to cover the costs of relocating or resuming wartime operations, expanding into foreign markets, and maintaining or improving existing business capacity [5]. The grants are available to companies in the following sectors: information technology and engineering; manufacturing (electronics, furniture, clothing, footwear, food, etc.); services (automation, consulting, education, telecommunications, etc.); and creative industries. Entities eligible to participate in the grant programme: individual entrepreneurs, private enterprises, LLCs and JSCs with up to 250 employees and an annual turnover of up to EUR 50 million [5].

By Resolution No. 574 dated 2 June 2023, the CMU amended Resolution No. 1165 dated 11 December 2019 "On Approval of the Procedure for Suspension of Registration of a Tax Invoice/Adjustment Calculation in the Unified Register", which simplified the conditions for registration of the above documents and ensured registration in the Unified Register based on risk assessment criteria. The amendments introduced certain provisions on automatic monitoring of the payer's risk assessment and detailed the procedure for using the payer's data [7].
Starting from 16 June 2023, the NBU will ease currency restrictions, compensate for unproductive capital outflows, and protect international reserves and foreign exchange market stability by allowing resident borrowers to transfer funds abroad to meet their obligations under foreign loans in accordance with the repayment and interest terms stipulated in the loan agreement. This applies to the following types of loans: guaranteed or secured by an international financial institution; or granted with the participation of foreign capital either through foreign export credit agencies or authorised foreign institutions, or through foreign legal entities with foreign banks as shareholders. It is expected that the introduction of mitigating measures will lead to an inflow of new loans to Ukraine that will significantly exceed the outflow due to the repayment or servicing of existing loans [7].

To support businesses in wartime, the government is working to tailor funding opportunities to meet the needs of sectors of the economy that require special attention. Expanding the scope of government programmes will help businesses to recover, provide employment and pay taxes. In addition, the Government is adjusting the tax structure and the NBU is implementing currency liberalisation. This will help expand opportunities for international partners to finance Ukraine's economic recovery.

An important step in state support for entrepreneurship development was the launch of the eRobota grant programme in July 2022, which has proven to be effective. In total, in the 15 months since the launch of this programme, the state has invested UAH 4.4 billion in grants in small and medium-sized businesses [8]. About 8,000 Ukrainians received grants to start or expand their own businesses, which contributed to the creation of 30,000 new jobs at the companies that received the grants. This also had a good multiplier effect in the form of UAH 800 million in tax revenues to the budgets of various levels paid by the recipients of these grants. Most of the funds were allocated to grants for processing enterprises (UAH 2.2 billion) and microgrants "Vlasna Dela" (UAH 1.7 billion) [8].

The grants stimulate the development of small and medium-sized businesses and help create new jobs. Thus, the eRobota programme is an effective mechanism of state support for Ukrainian business, which has a positive effect on economic development.

In order to boost entrepreneurship and ensure accelerated economic growth during the war and post-war period, it is important to identify priority areas and activities that will become the engine of growth. First and foremost, it is the development of a high-tech military-industrial complex. The development of Ukraine's military-industrial complex should become one of the leading areas to ensure the country's defence capability and independence. It is necessary to intensify the production of weapons, military equipment, special equipment, military inventory, fuel and materials to meet the needs of the army.

The next and no less important priority is the development of innovative technologies. Investments in the development and implementation of the latest
technologies (cybersecurity, artificial intelligence, nanotechnology, etc.) are the driving force behind progress. It is necessary to stimulate entrepreneurship in this area by attracting investors and supporting start-ups.

Another important priority is the development of the agricultural sector. On the one hand, this will ensure food security, and on the other hand, it will allow expanding markets for agricultural products, primarily to European countries. It is important to develop production and deep processing of crop, livestock and agricultural raw materials [20]. The war in Ukraine has had a negative impact on the agricultural sector, causing significant losses to agricultural producers. Disruptions in logistics and exports, direct losses due to hostilities (damage to equipment and infrastructure, mining, illegal export of crops) have further weakened their positions.

Access to credit resources, especially for small agricultural enterprises, is limited due to a shortage of credit and higher bank charges. And government support has been insufficient to cover their financial needs. At the same time, the analysis shows that the problems of farmers largely depend on the geography of their operations: 1) common to all companies; 2) specific to displaced enterprises; 3) those related to the regions of active hostilities. Thus, assistance to agricultural businesses should take into account this specificity of differentiation and include both national support measures and more specific programmes for individual territories and situations. A comprehensive approach is the key to overcoming the crisis in the sector and its recovery after the war.

To ensure energy security and independence, it is necessary to develop the extractive industry. Attracting investment in the development of oil, gas, coal, non-ferrous and rare metal ores will help to ensure the country's energy independence and increase its export potential.

One of the important priorities for future economic development is also to harness the potential of tourism. The development of the tourism and recreation industry, particularly in domestic tourism, will create new jobs and stimulate demand both domestically and abroad.

The war has had a devastating impact on small and medium-sized businesses in Ukraine. Despite government assistance, entrepreneurs have to overcome a number of problems on their own: loss of assets and staff, interrupted supply chains, and limited lending opportunities. In such circumstances, the priorities should be to rehabilitate enterprises in the affected areas, stimulate the development of industrial clusters for cooperation between local and displaced businesses, and support companies' exports to the EU.

It is also crucial to facilitate the adaptation and employment of as many people as possible who have lost their jobs and lives as a result of the war. This will strengthen the economy and human capital in the country. A comprehensive approach that promotes business rehabilitation, development incentives and support for people is key to rebuilding Ukraine's business sector.
Conclusions. The results of the study show that entrepreneurship in Ukraine is still in a difficult situation due to the war, but it demonstrates resilience, optimism and readiness to intensify its activities. The main obstacles at this stage are the unpredictability of the situation and the lack of resources. Businesses see the need for reforms, the fight against corruption, and improved access to financial resources as key to economic recovery. Most businesses continue to support the army and implement humanitarian projects.

Given the difficult situation in the Ukrainian economy caused by the war, it is necessary to provide ways to simplify administrative procedures and reduce the tax burden on entrepreneurs to stimulate their activity. Many entrepreneurs have limited access to credit and other sources of finance. The development of specialised support programmes and the establishment of financial assistance mechanisms will help entrepreneurs to implement their development plans, which will have a positive effect in the future. It is also necessary to provide advisory and information support to help entrepreneurs avoid common mistakes and teach them best practices in crisis management.

The path to business success in Ukraine is also linked to the development of innovative technologies and digital transformation. The use of modern information technology can facilitate management, marketing and sales processes for businesses. Creating an innovation ecosystem and promoting the creation of start-ups can stimulate entrepreneurship and attract new investment.

Ukraine has a huge potential for entrepreneurship development, but in order for this potential to be realised, it is necessary to address the challenges and create favourable conditions for entrepreneurs. Through the joint efforts of the government, business and authorities, it is possible to build an effective model in Ukraine that will promote entrepreneurship and economic growth.

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