

## MODELE DE SPRIJIN DE STAT PENTRU ÎNTREPRINDERI DEMUTAȚI FORȚAȚI DIN UCRAINA

### MODELS OF STATE SUPPORT FOR FORCIBLY DISPLACED BUSINESSES IN UKRAINE

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#### **Abstract**

*The current state of small and medium-sized businesses was studied, and it was established that the intensification of hostilities significantly destabilised the activities of domestic business entities. As a result of the escalation of armed aggression, 20% of domestic enterprises were forced to relocate within Ukraine and 4.4% - abroad.*

*Models of state support for forcibly displaced businesses that suffered as a result of military actions on Ukraine's territory were analyzed, which made it possible to identify existing problems and obstacles and determine the prospects for the recovery of small and medium-sized business entities and the systemic socio-economic development of Ukraine.*

*The list of priority directions and instruments of state support for the sustainable development of the small and medium-sized business sector in war conditions has been revealed. It has been considered under what conditions, in what form and amount, forcibly displaced business entities can receive assistance.*

**Keywords:** *models, programs, grants, state support, forcibly displaced business*

#### **Formulation of the problem.**

In the extremely difficult conditions of the war, Ukrainian business became a pillar of the state. Paying taxes and volunteering projects, supporting the Armed Forces and investing despite the war became a mandatory rule for both small businesses and industrial companies. In this difficult time, domestic businesses provide taxes, protected jobs, and stable salaries for citizens.

The future of Ukrainian business largely depends on how well it can overcome the challenges associated with Russian aggression and the ability to adapt to the economic environment or new geographical location. The war in Ukraine forced people to change their place of residence and lifestyle. This also applies to domestic business. Many enterprises reduced their capacities, and a significant number ceased their activities. A small part of the enterprises that were directly affected by Russian aggression managed to extend their development by relocating their assets to calmer regions of Ukraine.

Even in the current extremely difficult conditions, the state is taking affordable steps to support enterprises.

The study of models of state support for forcibly displaced businesses in war conditions is an important task that provides an opportunity to identify existing problems and obstacles and determine possible ways to overcome them for Ukraine's recovery and systemic socio-economic development.

Analysis of recent research and publications. A number of domestic scientists devoted their research to issues of business support from the state in wartime conditions: Avramenko, N., Lebedchenko, V., Andrusenko, N. [4], Bilyovska O., Maistro R. [1], Dykan V., Frolova N. [3], Melnyk T. [2], Kobelya – Zvir M., Todoryuk S., Kovalev S. and others.

Bilyovska O. O. and Maistro R. G. provide a list of state deregulation measures to support business activity in Ukraine under martial law and note that the adopted innovations contributed to the recovery and activation of business activity after the first months of catastrophic losses due to military operations in the country. The authors also cite mechanisms and tools that the state should implement in entrepreneurial activity to overcome existing obstacles [1].

According to V. Dykan and N. Frolova [3], controlling and fiscal authorities continue to cooperate with businesses to determine effective measures to create favourable conditions for developing and deregulating the business environment.

In his work, T. Melnyk [3] emphasizes that the priority tool

Business development under martial law is the development of measures to reform the national system of business regulation.

In their study, Avramenko N. and others [4] determine the importance of the government's support for forcibly displaced businesses through business relocation programs from dangerous areas and crediting them under the "5-7-9% Available Loans" program.

Considering existing studies, it is reasonable to note that the problem of state support for forcibly displaced businesses has received insufficient attention.

Solving the problem of state support for forcibly displaced businesses, stimulating their development, and ensuring their further development will make it possible to speed up the process of restoring Ukraine's economy.

#### **Setting objectives.**

The purpose of the study is to study models of state support for forcibly displaced businesses.

#### **Presentation of the main research material.**

The business sector is one of the main sources of support for the functioning of the national economy in wartime conditions. The government considers small and medium-sized businesses as the basis of the national economy, as the subjects of this sector create about 60% of GDP and 7 million jobs and provide almost 40% of tax revenues. However, due to the escalation of armed aggression and active hostilities, almost 50% of enterprises actually stopped economic activity [3].

Micro, small, and medium-sized businesses in war zones and occupation were particularly affected by the Russian invasion. Twenty per cent relocated within Ukraine, and 4.4 per cent moved abroad. In such difficult conditions, the state initiated active support for representatives of micro, small, and medium-sized enterprises.

Typical Groups of Women Entrepreneurs (Image 1.)

- *Displaced Women-Owned Small Businesses.* Owners of new private enterprises (ateliers, bakeries, shops) without substantial capital or bank savings are forced to adapt to new economic realities.
- *Young Entrepreneurs.* Business as a means of self-actualisation. Financially secure young people open their own companies, guided not only by pragmatic considerations but also by self-actualisation and satisfaction.

- *Family Enterprises*. When a business becomes a family affair. Women owners of family companies involve their relatives in the business, combining business management with family responsibilities.
- *Necessity Entrepreneurs*. Business as a means of survival. Women who start a business due to the lack of other sources of income to support their families.
- *Upgrading Entrepreneurs*. Business as a path to development. Women entrepreneurs who improve their companies to enhance their professional opportunities and increase their business income.
- *Professional Entrepreneurs*. Business as a path to self-actualisation. Women entrepreneurs who use their knowledge, skills, and experience to start their own businesses derive satisfaction from professional activities and maximise income.

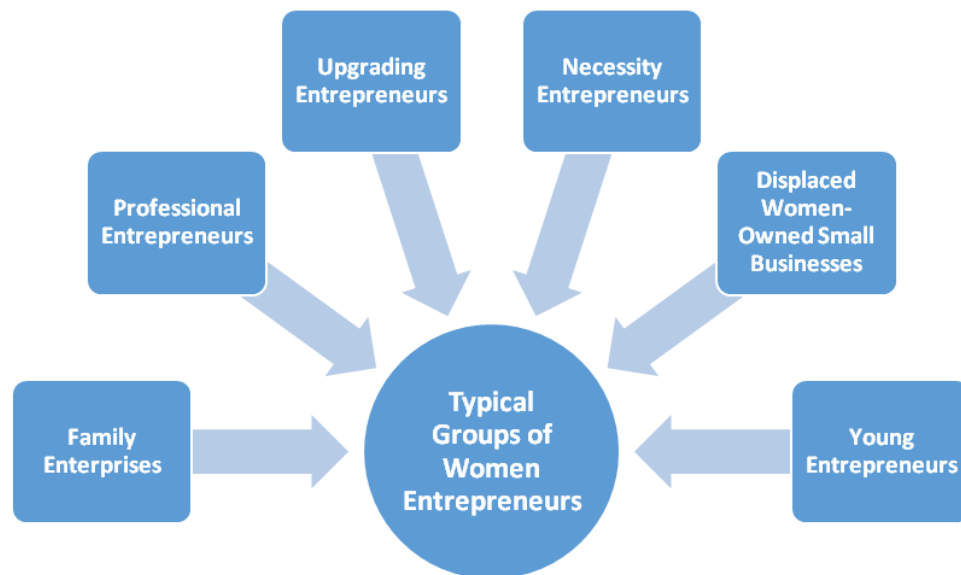


**Image 1. Typical Groups of Women Entrepreneurs**

More than 300 micro- and small enterprises suffered as a result of military operations on the territory of In particular, it should be noted the institutional changes associated with the creation of the National Council for the Recovery of Ukraine from the Consequences of the War, whose activities will primarily be aimed at developing a plan of measures for the post-war recovery and development of Ukraine, will provide for the restoration and development of infrastructure, structural modernisation and the restart of the economy. Implementation of social measures to overcome unemployment and support the population, etc. [7].

Ukraine will receive grants for recovery within the project "Development of Small and Medium-sized Enterprises: Economic Integration of Internally Displaced Persons and Business Recovery." The International Organization for Migration implements the project in cooperation with the Ministry of Reintegration of the Temporarily Occupied Territories of Ukraine and the Ministry of Economy of Ukraine. Micro-enterprises have the opportunity to receive one-time grants in the amount of up to 4,500 euros, small enterprises - up to 20,000 euros, and start-up enterprises - up to 7,500 euros. Thus, within the framework of the first grant competition (announced in May 2022), the project supported 62 micro- and 39 small enterprises, primarily enterprises of forcibly relocated businesses in Zakarpattia, Lviv, and Kyiv regions with grants [8].

According to the government's business relocation program, 772 enterprises were transferred to safer places, of which 605 have already resumed work at the new location. This made it possible to save more than 35,000 jobs. In addition, more than 7,000 people found work in relocated enterprises. Thus, relocated enterprises have the opportunity to fully work, help maintain the economy's stability and pay taxes. In total, more than UAH 1.14 billion has been transferred to the budget since the start of the business relocation program [6].

Most enterprises moved to Lviv (28.6%), Zakarpattia (17.9%), Chernivtsi (12.2%), Ivano-Frankivsk (8.3%), Ternopil (7.5%) and Khmelnytsky (7.5%) oblasts. The largest share of relocated enterprises, which have already resumed operations in new locations, belongs to the following sectors: wholesale and retail trade, repair of motor vehicles and motorcycles (40.7%), processing industry (30.2%), information and telecommunications (6, 7%), professional, scientific and technical activities (6.2%), construction (4.4%) [6].

It is worth noting that any enterprise can participate in the relocation program and receive a state aid package that includes the following options:

- choosing the location of the company's facilities;
- assistance in moving to a new place;
- assistance in resettlement and finding new employees;
- restoration of logistics, procurement of raw materials, and support in the search for sales channels.

To maintain the economy and ensure its growth during the war, the government launched the eRobota Program, within which Ukrainians receive grants for starting a business, developing entrepreneurship, and training [5].

State preferential lending under the Program "Affordable loans 5-7-9%" and the program of providing state portfolio guarantees are the main drivers of lending to Ukrainian business representatives [4].

Another model of state support is tax changes aimed at expanding the range of business entities that have the right to use the preferential conditions of the simplified taxation system, lowering tax rates, in particular, the establishment of a single turnover tax of 2% for most enterprises, except for certain types of activities, exemption from payment of a single tax for individual entrepreneurs and enterprises of the 1st and 2nd groups of the simplified taxation system, exemption from land tax and environmental tax in certain territories, expansion of benefits when providing charitable assistance by enterprises, exemption of paying entrepreneurs a single tax from the payment of EUS in case of loss of income, etc. [3].

It should be noted that the liberalisation of the business environment for the development of entrepreneurship, in particular at the legislative level, a decision was made on the temporary cancellation of 600 licenses and regulations for business, tax audits, fines for the absence of a PRO or fiscal check (except for excise goods), etc., simplified customs regulation and customs benefits have been introduced, in particular, goods imported into the territory of Ukraine under the import regime are exempted from import duties. Transactions involving the importation of goods into the customs territory of Ukraine by taxpayers of the 1st, 2nd and 3rd uniform tax are exempted from VAT groups that pay tax at 2% [9], etc.

Another direction of state support for forcibly displaced businesses is forming a legal basis for compensation for losses received due to destruction or damage to property due to military operations. In particular, the procedure for determining damage and losses has been approved. It is planned to form a concrete mechanism for practical compensation of losses received by enterprises.

Thus, state support for forcibly displaced businesses covers the following points:

- natural persons-entrepreneurs of the I and II groups are exempted from payment of state tax during the period of martial law and the year after its termination;
- enterprises and natural persons-entrepreneurs of the III group are exempted from social security payment for employees called up to the Armed Forces ranks and other armed formations (including territorial defence). The fee will be paid at the expense of the state;
- payment of taxes is postponed for all enterprises that are unable to pay them;
- the implementation of the PRO for all natural persons-entrepreneurs is postponed;
- measures of market and consumer supervision in all matters except price regulation and control over pricing were abolished;
- a moratorium has been established on all types of inspections for businesses;
- grant support both from the state directly and in combined versions;
- preferential lending;
- creation of a compensation mechanism for received losses;
- expansion of the government program to evacuate enterprises from the war zone to the west of Ukraine;
- proper conditions have been created for work at the new location and employment opportunities for people.

As for the prospective areas of support for forcibly displaced businesses and small and medium-sized enterprises in general, it is advisable to preserve the current simplified taxation system (SSO); replace the total fiscalization of groups 2 and 3 of SSO with fiscalization exclusively for certain risk groups of taxpayers who have a significant risk of exceeding the limits of the single tax; simplified regime for self-employed persons; raising the threshold for transition to VAT; promotion of legal micro- and small entrepreneurship and simplification of business conditions through the liberalisation of market legislation and the law on internal trade (implementation of the EU directive on the interaction of producers and trade networks) [10].

European countries and countries beyond have shown that they support not only individuals but also Ukrainian small and medium-sized businesses, especially those that have faced difficulties due to the war, so they can sustain themselves and rejoin the economic cycle.

Unfortunately, Ukraine has no single online platform for international business support. Instead, the state portal Diia.Business, created and functioning thanks to the Ministry of Digital Transformation of Ukraine and the Office of Entrepreneurship and Export Development, contains all the information about state business support programs. Only 3.9% are aware of and involved in OVA and community business support programs.

Ukrainian businesses are adapting quickly to wartime conditions – a third of enterprises already have crisis strategies, and almost half are considering them; the rate of registration of new women-owned small and medium enterprises is increasing, and there is a rapid shift towards the implementation of export business strategies (already 43% of SMEs plan to develop exports). Despite this, the main problems for women's businesses in Ukraine remain access to finance for business recovery and development.

A comparative analysis of the structural elements of the financial mechanism of state support for small and medium-sized businesses in Ukraine and developed countries has been conducted, and the possibility of using state grants to develop women's small and medium businesses has been studied. According to research, the needs of SMEs are estimated at \$73 billion. The share of SMEs aware of or receiving support from local OVA development programs and/or

communities is insignificant – 5.9%. 28% of women entrepreneurs have used state and international programs to support their business, of which 15% used the single 2% tax option, 6% other tax benefits, and 2% compensation for employing IDPs (according to a survey by the European Business Association of SME representatives, participants in the Unlimit Ukraine project).

To increase the share of women's SMEs using state and international programs to support their business, it is necessary to create a single platform where information on state and international grants will be posted or to supplement the Diia.Business platform with information on international grant programs. Information about such a platform should be posted on the web resources of business associations (chambers of commerce, business associations), tax inspections, OVAs, communities, specialised media, etc.; the state system of financial support for business (primarily lending under the 5-7-9% program) in conditions of limited resources needs to prioritise lending directions in the context of the future national reconstruction plan.

Disrupted supply chains and lengthy and expensive logistics remain major problems for almost a quarter of women entrepreneurs.

Establishing new supply chains (especially for relocated enterprises) can be achieved through:

- conducting constant monitoring of business activity in the region, marketing research of the regional market (sectoral, geographical segmentation), consulting support in building new supply chains and logistics;

- posting the results of marketing research and business activity monitoring on regional online platforms, web resources of business associations, entrepreneurship support centres, OVAs, communities, etc.;

- information and educational support in accessing state procurement programs. This will help build new supply chains and ensure the entry of women's SMEs into new markets.

The lack of sufficient solvent customers in the domestic market requires small women's businesses to review their business strategies and focus on exporting products and services.

### **Conclusions.**

Studying models of state support for forcibly displaced businesses affected by military operations on Ukraine's territory made it possible to identify existing problems and obstacles and determine the prospects for the recovery of small and medium-sized business entities and the systemic socio-economic development of Ukraine.

Women's small and medium businesses lack non-financial support in the form of individual mentoring and consulting assistance to create new women-owned small enterprises.

The limited capabilities of the Ukrainian government to provide grants for starting a business highlight the issue of prioritising such loans, but as international experience shows, providing grants for starting a business is an effective incentive for refugees to return.

Addressing the main needs of women's small businesses requires expanding the network of programs supporting women's entrepreneurship. These can be Business HUBs created in regions that have received the largest number of displaced persons.

The research allowed the identification of existing problems and obstacles and determining the prospects for the recovery of women's small and medium businesses and the systematic socio-economic development of Ukraine. Priority areas and state support tools for the sustainable development of the women's small and medium business sector under war conditions have been identified. Proposals have been made to improve state support for displaced women's businesses

and a program to support Ukrainian families and women's small and medium enterprises. The list of priority directions and instruments of state support for the sustainable development of the small and medium-sized business sector in war conditions has been revealed. Many countries worldwide and the EU are cancelling tariffs on Ukrainian goods during wartime, helping Ukrainian companies strengthen their positions in international markets.

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