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СОЦІАЛЬНО-ЕКОНОМІЧНІ ТЕНДЕНЦІЇ ТА ПРОБЛЕМИ РОЗВИТКУ МАЛОГО ТА СЕРЕДНЬОГО БІЗНЕСУ В УКРАЇНІ В УМОВАХ ВОЄННОГО СТАНУ

Актуальність дослідження зумовлена зростаючою роллю МСБ у підтримці соціальної стабільності, економічної активності та регіональної стійкості в умовах системної кризи, спричиненої широкомасштабною збройною агресією проти України. МСБ не лише забезпечує робочі місця і податкові надходження, а й дедалі частіше виконує соціальні функції – сприяє інтеграції внутрішньо переміщених осіб, підтримує військових, залучається до гуманітарних ініціатив. У статті здійснено комплексний аналіз соціально-економічних тенденцій та проблем функціонування малого та середнього бізнесу (МСБ) в Україні в умовах воєнного стану.

Метою та завдання статті. Метою статті є виявлення ключових викликів, з якими стикається МСБ під час війни, визначення адаптивного потенціалу підприємств та формулювання пріоритетних напрямів державної політики підтримки малого підприємництва в умовах кризових трансформацій. Завдання дослідження включають аналіз тенденцій, оцінку ефективності існуючих механізмів підтримки, вивчення міжнародного досвіду та розробку пропозицій щодо зміцнення підприємницької стійкості.

Матеріали та методи. У процесі дослідження використано загальнонаукові та спеціальні методи: порівняльний аналіз, систематизацію, індукцію та дедукцію, кейс-аналіз, а також елементи факторного підходу. Джерельною базою стали дані Міністерства економіки України, аналітичних центрів (KSE Institute, GIZ, USAID), міжнародних фінансових організацій та власне узагальнення емпіричних спостережень.

Результати. Дослідження встановило, що український МСБ в умовах воєнного стану демонструє як вразливість, так і високий рівень адаптивності. Водночас більшість проблем – зокрема нестача фінансування, кадрові втрати, руйнування інфраструктури, логістичні бар'єри – не мають короткотермінових рішень без системної державної та міжнародної підтримки. Особливу увагу приділено аналізу механізмів релокації, трансформації бізнес-моделей, а також формування нових осередків підприємницької активності у безпечніших регіонах.

Висновки. Обґрунтовано необхідність реалізації стратегії довгострокового розвитку МСБ, заснованої на прозорій податковій та фінансовій політиці, доступі до освіти й цифрових технологій, партнерстві з міжнародними донорами, інституційній підтримці через бізнес-інкубатори. Акцент зроблено на важливості регіональної політики та якості створюваних робочих місць. Автор підкреслює, що МСБ має потенціал стати базисом для післявоєнної економічної відбудови, однак його реалізація можлива лише за умов цілеспрямованої політики підтримки з боку держави.

Ключові слова: економічна стійкість, соціально-економічна адаптація, релокація підприємств, мікрофінансування, державна підтримка, кризовий менеджмент, зайнятість, регіональна політика, міжнародна допомога, підприємництво в умовах війни.

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SOCIO-ECONOMIC TRENDS AND PROBLEMS OF SMALL AND MEDIUM-SIZED BUSINESS DEVELOPMENT IN UKRAINE UNDER MARTIAL LAW

Topicality. The article provides a comprehensive analysis of socio-economic trends and problems of small and medium-sized businesses (SMEs) in Ukraine under martial law. The relevance of the study is due to the growing role of SMEs in maintaining social stability, economic activity and regional resilience in the context of the systemic crisis caused by the large-scale armed aggression against Ukraine. SMEs not only provide jobs and tax revenues, but also increasingly perform social functions, such as facilitating the integration of internally displaced persons, supporting the military, and engaging in humanitarian initiatives.

Aim and tasks. The aim of the article is to identify the key challenges faced by SMEs during the war, to determine the adaptive potential of enterprises and to formulate priority areas of state policy to support small businesses in the context of crisis transformations. The objectives of the study include analyzing trends, assessing the effectiveness of existing support mechanisms, studying international experience, and developing proposals for strengthening entrepreneurial resilience.

Materials and methods. The study used general scientific and special methods: comparative analysis, systematization, induction and deduction, case analysis, and elements of the factor approach. The source base was the data of the Ministry of Economy of Ukraine, think tanks (KSE Institute, GIZ, USAID), international financial organizations, and the author's own generalization of empirical observations.

Research results. Ukrainian SMEs under martial law demonstrate both vulnerability and a high level of adaptability. At the same time, most of the problems, such as lack of funding, human resources, infrastructure destruction, and logistical barriers, have no short-term solutions without systemic government and international support. Particular attention is paid to the analysis of relocation mechanisms, transformation of business models, and the formation of new centers of entrepreneurial activity in safer regions.

Conclusion. The conclusions substantiate the need to implement a strategy for the long-term development of SMEs based on transparent tax and financial policies, access to education and digital technologies, partnership with international donors, and institutional support through business incubators. The author emphasizes the importance of regional policy and the quality of jobs created. The author emphasizes that SMEs have the potential to become the basis for post-war economic recovery, but its realization is possible only under conditions of a targeted support policy from the state.

Keywords: economic sustainability, socio-economic adaptation, relocation of enterprises, microfinance, state support, crisis management, employment, regional policy, international assistance, entrepreneurship in war.

Problem statement and its connection with important scientific and practical tasks. In the current conditions of a full-scale war in Ukraine, small and medium-sized businesses (SMEs) are facing unprecedented challenges that significantly affect not only their direct activities but also the overall state of the national economy. On the one hand, SMEs are a key element of social and economic stability, creating jobs, generating tax revenues, and contributing to regional development. On the other hand, it is this sector that is most vulnerable to external shocks, including the loss of markets, reduced purchasing power, logistical constraints, and the destruction of infrastructure as a result of hostilities.

At the same time, there is an increase in the adaptive potential of SMEs, manifestations of social responsibility of business, and a growing role of local initiatives in supporting the population and the

military. These phenomena open up new vectors for scientific understanding of the transformation of this sector under martial law. Of particular importance is the study of mechanisms that allow small and medium-sized businesses not only to survive but also to adapt to the new economic reality.

Thus, the relevance of the problem is driven by the need for a comprehensive analysis of socio-economic trends in SME development, identification of key barriers and factors of resilience in the context of war, and development of scientifically sound practical recommendations for state policy to support this sector.

The solution to these problems is not only theoretical but also directly applicable – both for the formation of an effective economic strategy for Ukraine's recovery and for ensuring social cohesion, preserving the business environment and

enhancing the economic security of the state.

Analysis of recent publications on the problem. In 2022-2024, a significant number of scientific and analytical publications were devoted to the transformation of small and medium-sized businesses in Ukraine in the context of a full-scale war. The researchers focused mainly on such aspects as SMEs' adaptability to crisis conditions, regional relocation of enterprises, decline in business activity, changes in employment, and the need for institutional support for business (Petrunenko, I., Ustymenko, V., Dzhabrailov, R., Vozniakovska, K., Sieriebriak, S., 2025).

For example, Baranovska (Baranovska, O., 2023) examines structural changes in SMEs in the frontline regions of Ukraine, particularly in the services and light industry sectors. The author emphasizes that the survival of enterprises directly depends on the speed of adaptation to new conditions and access to financial instruments.

A study by the Ukrainian Center for Social Data (UCSD) and KSE (2023) analyzed changes in business activity between February 2022 and July 2023. According to the report, more than 42% of SMEs temporarily suspended operations, and about 20% moved production to other regions. It also draws attention to the increasing role of the IT sector and online services.

Analytical reviews by international organizations, such as the EBRD (2023), USAID (2022), and GIZ (2023), emphasize the need to create sustainable support programs for Ukrainian entrepreneurs, including grant mechanisms, training platforms, and business relocation programs.

The reports of the CASE Ukraine think tank (2023) examine the peculiarities of the transformation of demand and consumer behavior, as well as the problems of lending and inflationary pressure on enterprises.

Allocation of previously unsolved parts of the general problem. Despite the existing publications, further comprehensive research of the long-term socioeconomic consequences for SMEs in the postwar period, particularly in the context of regional development and national economic security, remains relevant.

First, the mechanisms of resilience and adaptation of SMEs to long-term crises are not sufficiently studied, in particular from the perspective of entrepreneurial behavior, internal organizational changes, and new risk management strategies. Existing studies mainly focus on short-term effects or describing losses, while in-depth analysis of innovative models of enterprise survival remains limited.

Second, the role of social entrepreneurship and civic initiatives in supporting SMEs remains under-researched. Although recent reports mention the growth of socially responsible businesses, their impact on economic stability, IDP integration, and support for the army has not yet been systematized from a scientific perspective.

Third, the study of regional disparities in the development of SMEs during the war remains relevant. A significant part of the research is of a nationwide scale and does not take into account the specifics of individual territories, in particular de-occupied or frontline regions, where the challenges are unique and require special approaches.

Fourth, there is a need for an evaluative analysis of the effectiveness of state and international support for entrepreneurship, including grants, loans, and educational programs. Currently, there is a lack of sufficiently representative empirical data that would allow an objective assessment of the extent to which these instruments contribute to business recovery and development.

Finally, the issue of post-war recovery of the SME sector remains equally important, and is hardly addressed in the professional literature. The development of a long-term strategy for the country's economic rehabilitation requires a clear vision of the place and role of small and medium-sized enterprises in the new economic model of Ukraine.

The purpose of the study is to provide a comprehensive analysis of socio-economic trends and problems of small and medium-sized businesses in Ukraine under martial law, as well as to identify priority areas of state support and mechanisms for sustainable development of the business sector in crisis circumstances.

Materials and methods of the study. In order to achieve the goal and implement the objectives of the study, a set of methods was used to comprehensively analyze the state and trends of small and medium-sized businesses in Ukraine under martial law.

The information base of the study was formed by:

- analytical reports of international organizations (USAID, EBRD, GIZ, International Labor Organization);
- national statistical sources (State Statistics Service of Ukraine, NBU and Ministry of Economy reports);
- research by leading Ukrainian economic centers (Kyiv School of Economics, CASE Ukraine, Center for Economic Strategy);
- scientific publications of domestic researchers;
- results of thematic sociological surveys of

entrepreneurs conducted in 2022-2024.

The following methods were used in the study: system analysis method (to identify the interrelationships between economic, social and political factors affecting the state of SMEs during wartime), comparative method (to compare regional peculiarities of business functioning and identify disparities in the pace of adaptation and development), content analysis method (to process qualitative data from reports, expert interviews and media publications to identify key issues and business needs), elements of SWOT analysis (to assess the strengths and weaknesses of the business community).

The study pays special attention to the practical experience of relocating enterprises, which was analyzed on the basis of open cases (media publications, information from regional military administrations and business associations).

This combination of quantitative and qualitative methods made it possible to ensure both the analytical depth of the study and its applied orientation.

An outline of the main results and their justification. Small and medium-sized businesses (SMEs) have traditionally been the backbone of the economic structure of most countries. In the global context, this sector accounts for more than 50% of employment in the formal economy, as well as a significant share of gross domestic product. In the face of current challenges, including sustainable development, environmental balance, social inclusion, and digital transformation, SMEs demonstrate flexibility and readiness for innovation, which gives them a key role in addressing socioeconomic issues.

The importance of the SME sector in achieving the World Bank Group's strategic goals of reducing poverty and ensuring general welfare has led to a concentration of support from international financial institutions on entrepreneurial activity. In particular, modern areas of financing, such as the development of the digital economy, green energy, and agro-industrial chains, are in the focus of the World Bank, EBRD, and IFC.

Recent trends in developing countries show rapid growth in the ICT and mobile technology sectors, where SMEs have the potential to generate a significant share of innovation and job creation. According to Vantage Market Research (Vantage Market Research, 2022), the global renewable energy market – which includes major clean technologies – will grow from \$880 billion in 2020 to \$1.6 trillion in 2028, opening up additional opportunities for Ukrainian businesses to get involved.

The conditions of a full-scale war in Ukraine have become a critical stress test for the business environment. However, it was in these conditions that SMEs demonstrated significant adaptability by revising their business models, sales channels, and areas of activity. There was a rapid reorientation to online commerce, and activity in logistics, IT services, and humanitarian support increased. Some companies started serving the needs of the Armed Forces of Ukraine, internally displaced persons (IDPs), and volunteer organizations.

International donors, such as USAID, GIZ, and the EBRD, have become a source of support for SMEs, offering grants, microloans, and training programs. These initiatives have helped not only to preserve businesses, but also to create a new generation of entrepreneurs capable of operating in an unstable environment.

At the same time, however, there are a number of problems: direct physical losses of enterprises, destruction of production facilities in the war zone, logistical barriers, lack of personnel, and financial instability. The mobilization of workers, internal and external migration, and the decline in the purchasing power of the population only deepen the crisis in the sector.

SMEs are a key generator of jobs: before the war, this sector provided up to 60% of employment. Its functioning is the basis of social stability. The preservation and development of SMEs in times of war is not only economically important but also socially important, as it supports local communities, reintegrates IDPs, and creates new jobs.

Given the above, SME support requires a comprehensive approach:

- creation of an effective microfinance system;
- tax incentives for enterprises in the combat zone;
- prioritized state orders for SME goods and services;
- creation of platforms for business education, exports, and digitalization;
- security and relocation guarantees.

In addition to stimulating local economic growth and job creation, small and medium-sized businesses play an increasingly important role in addressing pressing development challenges, especially in terms of sustainability and quality of services.

Recognizing the important role of SMEs in development, the World Bank Group, through its Global Trade and Competitiveness Practice Center, focuses on strengthening the capacity of promising enterprises in fast-growing sectors, including agribusiness, ICT, and green technologies. To this end, a global network of business incubators has

been established, including Climate Innovation Centers, Agribusiness Entrepreneurship Centers, and Mobile Application Labs (mLabs). These institutions support entrepreneurs at all stages of their business by providing seed funding, technical training, and access to market information.

Ukrainian banks are unable to provide long-term financing due to their own financial instability. With limited access to reliable capital, businesses are forced to turn to international financial institutions (IFIs), such as: European Bank for Reconstruction and Development (EBRD), International Finance Corporation (IFC), etc.

These institutions provide long-term financing for a period of 7 to 15 years with the possibility of a grace period, during which only interest is paid on the loan.

The EBRD is the most active investor in Ukraine, having invested more than €13 billion in more than 500 projects since its establishment in 1991. The IFC, as an arm of the World Bank, is exclusively engaged in financing private business and has invested over \$3.3 billion in Ukraine.

The main shareholders of the EBRD and IFC are developed economies, which created these institutions to support the development of market relations and private business in developing countries.

The most active IFI in Ukraine, which has implemented the largest number of projects both in terms of number and volume of funding, is the European Bank for Reconstruction and Development. The EBRD was established in 1991 to support market economies and democracy in 34

countries, from Central Europe to Central Asia, although recently its activities have also expanded to some countries in North Africa and the Middle East. Over the years, the EBRD has invested more than €13 billion in Ukraine, and in recent years our country has been among the leaders in terms of investment.

The International Finance Corporation (IFC), a part of the World Bank Group, was established in 1956 to stimulate private sector growth around the world. The difference between the IFC and the EBRD is that it is exclusively engaged in financing private business. In the period from 2022 to 2024, the International Finance Corporation (IFC) significantly stepped up its support for the Ukrainian private sector in response to the large-scale challenges posed by Russia's full-scale invasion. In 2022, the IFC initiated the Economic Resilience Action (ERA) program with up to USD 2 billion, aimed at stabilizing the economy by attracting investment in critical areas (IFC, 2022). The total amount of funding for 2022-2024 reached about USD 1.6 billion, of which USD 1.1 billion was IFC's own funds, and another USD 530 million was mobilized from donor sources (IFC, 2024a). In 2024, further plans were announced to invest \$1.9 billion under a new 18-month strategy, confirming IFC's long-term commitment to Ukraine's economic recovery (IFC, 2024b). This level of international financial support is a key mechanism for stimulating the development of small and medium-sized businesses, digital technologies, the agricultural sector, and energy in the wartime and post-war period.

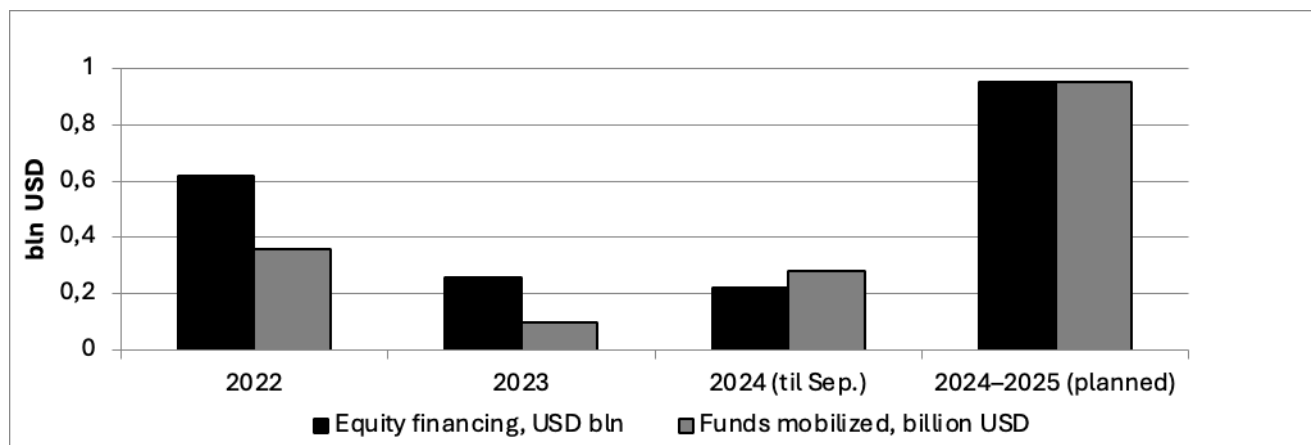


Fig. 1. Dynamics of IFC financing in Ukraine in 2022-2025.

Source: International Finance Corporation

In the context of Ukraine's deepening integration into the European economic area, there is a growing institutional interest in the development of small and medium-sized businesses on the part of the

European Bank for Reconstruction and Development (EBRD). In recent years, the EBRD has adapted its approaches to financing this segment, defining it based on three key parameters:

annual turnover of up to EUR 50 million, assets of up to EUR 43 million, and the number of employees of up to 500 people (EBRD, 2023). While Ukrainian financial institutions often classify such enterprises as large, international financial institutions rely on broader European criteria. Companies that meet these requirements can access an expanded support package that includes grants for audits in accordance with International Financial Reporting Standards (IFRS), expert assistance in entering European markets, technical audits, the introduction of innovative technologies, and legal support (IFC, 2023; OECD, 2021). At the same time, direct financing is subject to a number of conditions, including EBITDA (earnings before interest, taxes, depreciation, and amortization) of at least EUR 1 million, which is an indicator of the company's basic operational stability regardless of the tax and debt environment (World Bank Group, 2023). The minimum amount of funding also varies: for the EBRD - from USD 5 million, and for the International Finance Corporation (IFC) - from USD 10 million. For companies with smaller needs, such as those purchasing imported equipment, guarantees from export credit agencies of supplier countries can be an appropriate mechanism for raising financial resources, reducing financing risks and facilitating technological modernization. All this is especially important in the context of the military transformation of the business environment. According to the Kyiv School of Economics (2023), about 42% of SMEs in Ukraine suspended their operations in the first months of the full-scale invasion, but by mid-2023, a significant number of them were able to resume operations or adapt to new conditions by relocating. In this context, the government's business relocation program, implemented with the participation of regional military administrations, has become a critical tool to support businesses in high-risk areas (Ministry for Communities, Territories and Infrastructure Development of Ukraine, 2023).

As of October 1, 2024, there were about 1 million individual entrepreneurs and more than 70,000 legal entities registered in Ukraine (State Statistics Service of Ukraine) (SSSU, 2024). These figures indicate that small and medium-sized businesses have remained somewhat stable despite the difficult conditions of martial law.

In January 2025, the Index of Business Activity Expectations was 41.0, which is the same as in January 2024. The traditional seasonal slowdown in business activity at the beginning of the year was exacerbated by the difficult security situation, lack of investment, resources, and labor, as well as inflation and devaluation processes. At the same

time, stable consumer demand and significant international assistance had a positive impact.

In industry, the sectoral index declined to 42.0 (against 43.7 last year). The assessments of enterprises weakened due to the destruction of capacities, staff shortages, and rising costs. There was a decline in expectations for production, orders, and inventories.

In trade, the sectoral index was 40.0, up from 38.9 in January 2024. Companies expected a decrease in turnover and purchases, but improved their estimates of inventories. The downward trend in trade margins continued.

In the services sector, the index equaled 41.1 (40.4 in January 2024). Expectations remain restrained due to seasonality and rising costs. Companies predicted a decline in orders and the volume of services provided.

The lowest level of business activity is recorded in construction: 37.2 against 31.9 last year. The reasons for this are the seasonal decline and a shortage of staff. The volume of work, orders, and purchases is expected to decline further.

Expectations of price growth remained stable in industry, construction, and services. In trade, however, the share of firms expecting prices to rise has declined significantly, in part due to seasonal sales.

At the same time, survey results indicate polarization in the IT sector: the weighted average volume of work performed is 91.8% of the level of the corresponding period of the previous year, but almost half of respondents (48.5%) recorded a decrease in production volumes (Center for Innovation Development, 2024). This picture demonstrates the heterogeneity of the impact of economic challenges on different segments of business in Ukraine.

At the same time, survey results indicate polarization in the sector: the weighted average volume of work performed is 91.8% of the level of the corresponding period of the previous year, but almost half of respondents (48.5%) recorded a decrease in production volumes (Center for Innovation Development, 2024). This picture demonstrates the heterogeneity of the impact of economic challenges on different segments of business in Ukraine.

At the beginning of 2024, according to official data from the Ministry of Economy of Ukraine (2023), more than 850 enterprises were relocated through the state relocation program, of which 630 successfully resumed operations at their new locations. The main host regions included Lviv, Zakarpattia, Ivano-Frankivsk, Khmelnytskyi, and Chernivtsi oblasts.



Fig.2. Business activity expectations index

Source: Center for Innovation Development

Analytical data from the KSE Institute (2023) indicate that approximately 32% of relocated enterprises operate in the manufacturing sector, 28% in logistics and trade, while the remaining companies are engaged in services and IT. This distribution reflects a targeted effort to preserve critical infrastructure for production and delivery amid the wartime decentralization process.

Enterprises involved in light industry, food processing, metalworking, and woodworking proved to be the most adaptable to relocation. However, more than 30% of the relocated businesses faced challenges related to logistics, a shortage of qualified personnel in their new locations, and incompatibilities in technical infrastructure (GIZ, 2023).

Simultaneously, the western regions experienced a surge in business activity. For instance, the number of new business registrations in Lviv Oblast increased by 24% in 2023 compared to 2021, a trend partially attributed to enterprise relocation (EBRD, 2023).

The relocation program provided transportation support, assistance in finding premises, and help with restoring documentation. However, according to the analytical report by USAID (2023), the process was often overly bureaucratic or slow, which discouraged broader participation among businesses.

On the other hand, GIZ and UNDP, in partnership with local authorities, launched over 80 infrastructure initiatives aimed at supporting relocated businesses, including the establishment of industrial parks and coworking centers.

Successful examples include:

- A garment factory from Bakhmut resumed

production within three months of relocating to Ternopil Oblast and established export operations to the EU.

- A Kharkiv-based manufacturer of agricultural machinery components moved to Volyn, opened a new facility, and created 25 new jobs.

These cases illustrate the potential for reindustrialization of less developed regions in Ukraine through internal economic mobility mechanisms.

Most surveyed entrepreneurs indicated that their primary need is not only financial assistance but also greater predictability and transparency of state policy, along with access to educational resources on crisis management and export strategies (KSE, 2023; USAID, 2022).

Thus, small and medium-sized enterprises (SMEs) in wartime Ukraine serve not only an economic but also a vital social function. Their resilience largely depends on the ability of the state and international partners to provide not fragmented but systemic, long-term support.

Human resource management (HRM) practices play a crucial role in the development of small and medium-sized enterprises (SMEs). Although HRM is generally less developed within SMEs compared to larger firms, many small and medium businesses are adopting innovative HRM approaches. For instance, in Germany, high-performance work systems are implemented in 11% of enterprises with no more than 19 employees, and in approximately one-third of enterprises employing between 20 and 199 workers. In Italy, 35% of small enterprises have relatively advanced HRM systems, while 22% combine innovative practices with well-established

labor relations frameworks. A notable characteristic of European SMEs is their active engagement in vocational training and skills development: around 30% of SMEs undertake continuous vocational education and training (CVET) initiatives. In Japan, 47% of SMEs (employing 30 to 99 workers) have introduced performance-based pay systems, 26% utilize performance appraisal mechanisms, and 66% provide both off-the-job training and structured on-the-job learning. These practices reflect an increasing recognition among SMEs globally of the strategic value of human capital and the integration of HRM into broader organizational development.

Global data indicate that both types of programs (training and access to finance) are more effective in terms of job creation when they incorporate one or more of the following elements. Entrepreneurship training combined with expanded access to finance yields better outcomes than isolated interventions. There is compelling evidence supporting the importance of building partnerships with microfinance institutions during program implementation, as the availability of credit can motivate entrepreneurs to apply new business practices acquired through training programs. Youth-targeted programs tend to achieve more positive results. One possible explanation is that the entrepreneurial skills gap is more pronounced among young people than in other age groups, making the relative impact of interventions greater. Another reason may be that younger cohorts exhibit a stronger inclination toward establishing new businesses. The Global Entrepreneurship Monitor consistently shows that, regardless of a country's level of development, the highest share of nascent entrepreneurs falls within the 25-34 age group.

Programs aimed at women appear to be less successful in terms of income generation and job creation. However, this should not be interpreted as a reason to scale back such initiatives, as their outcomes likely reflect different entrepreneurial goals among women and the structural barriers they face. Numerous studies suggest that such programs contribute to improved business practices (in the case of training initiatives) or income stabilization (when focused on financial access).

Overall, the formulation of policies that support entrepreneurship through the provision of both financial and non-financial support services can contribute to the creation of a greater number of high-quality jobs. Programs that combine access to finance with non-financial services have proven to be more effective than fragmented interventions, which are still commonly implemented and should be reduced. The impact on employment is particularly significant among young people

compared to the general population. This leads to the conclusion that the development of youth entrepreneurship should remain a key component of active labor market policies aimed at combating youth unemployment and underemployment.

In light of the above, the following areas should be prioritized in public policy:

- the establishment of an effective microfinance architecture involving microfinance institutions (MFIs);
- the introduction of targeted tax policies for SMEs operating in conflict-affected areas;
- institutional support through business incubators, educational platforms, and export hubs;
- the assurance of regulatory stability and predictability in state policy;
- vocational training programs, particularly for youth and internally displaced persons (IDPs);
- integration of SMEs into global value chains via digital tools.

The entrepreneurial sector in Ukraine holds significant potential to become a driver of economic recovery and transformation in the post-war period. However, realizing this potential requires a coherent state policy, institutional collaboration with international partners, and the strengthening of internal resilience mechanisms within the business environment.

Thus, the sustainable future of Ukrainian SMEs lies at the intersection of strategic vision, flexible support instruments, and mutual trust between business and the state.

Conclusions and perspectives of further research. A comprehensive analysis of the functioning of small and medium-sized enterprises (SMEs) in Ukraine under martial law has revealed both key socio-economic trends and critical challenges affecting the resilience and development of the entrepreneurial sector during the crisis period.

First, the study confirms that SMEs remain a fundamental pillar of the national economy, contributing significantly to employment and serving as a source of social stability. Despite the harsh conditions of wartime, many enterprises have demonstrated high levels of flexibility, innovation, and readiness for reorientation, indicating a strong adaptive capacity.

Second, the war has exacerbated several chronic issues within the sector, including limited access to finance, logistical constraints, labor shortages, insufficient government support, and low confidence in long-term investments. At the same time, international assistance and donor support have played a critical role in sustaining existing enterprises and enabling the launch of new initiatives.

Third, the business relocation mechanism – despite organizational difficulties – has proven the potential for regional redistribution of economic activity. The surge in entrepreneurial dynamics in western regions of Ukraine provides a foundation for future policies aimed at reindustrialization and economic decentralization.

Fourth, the quality of jobs created by SMEs is of particular importance. European experience highlights the need for not only quantitative but also

qualitative improvements – ensuring decent wages, employment stability, and proper working conditions. These factors are essential for long-term social and economic sustainability.

Fifth, effective SME support practices include the combination of access to finance with training, targeted support for youth-led enterprises and women’s entrepreneurship, the involvement of non-governmental intermediaries, and the establishment of long-term program monitoring systems.

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