

State Support of Entrepreneurial Activity During the War in Ukraine

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Abstract. Ukrainian business found itself in an extremely difficult situation, as the full-scale invasion of Russia is causing severe consequences for the business sector, which has not actually recovered from the quarantine restrictions associated with the pandemic. At the same time, in modern realities, the work of entrepreneurs in all spheres of life is more important than ever for the state. The article analyzes the structural changes that took place in the sphere of medium and small business. The expediency of strengthening the role of the state in the system of regulation and stimulation of business development was proven. Analytical data reflecting the state and structure of the economy sector represented by small and medium-sized businesses were studied. So, the following series of trends were revealed. Relocation is possible and not typical for all types of economic activity, according to the principle of expediency of transportation, enterprises can be distinguished: those that have moved, those that work in a hybrid mode, and those that have remained in the primary place of

activity. During the war, most of the registered business entities are non-profit entities (charitable foundations, public organizations). The following areas of state support for business entities were singled out: fiscal (cancellation and postponement of taxes), informational and organizational (organization, relocation support, liberalization of business activity inspections, payments for employment of internally displaced persons) and financial (provision of business loans at a rate of 0% and their repayment at the expense of the state; special attention in this context is paid to subjects of foreign economic activity). In addition, several grants from the state and international organizations have been offered to business representatives. So, it was determined that the state applies a whole set of measures aimed at maintaining economic stability in the state.

Keywords: state business support, martial law, entrepreneurship, liberalization of taxation, business relocation, preferential lending.

Introduction. The relevance of the chosen topic is difficult to overestimate, because small and medium-sized businesses are the basis of micro- and macroeconomic stability, a source for filling local and state budgets and creating jobs. All economic functions take on a special role during martial law in Ukraine.

As a field for scientific exploration, this topic is new and was not studied either from the standpoint of rule-making or from the standpoint of law enforcement. After all, as a social and political, administrative phenomenon and legal precedent, the need to change the instruments of state regulation from such an angle is happening for the first time in the state. Previously, the relevant state policy was aimed at overcoming crisis economic phenomena, adapting to work during

the period of quarantine restrictions, getting rid of the corruption component, creating favorable conditions for conducting business activities, etc.

The science of public administration has proven that small and medium-sized businesses have a high ability to adapt to the demands of time, dynamism, and loyalty. At the same time, the task of the state is to create favorable conditions for the development of the innovative and competitive sector of small and medium-sized enterprises. In modern conditions in Ukraine, it is more about "survival" and preservation of business than about expansion and development, because the consequences of a full-scale military conflict cannot yet be fully assessed by analysts. Considering this fact, the role of the state in regulating the processes of economic activity is growing.

The Laws of Ukraine regulate the system of state support and stimulation of business development "On Entrepreneurship", "On State Assistance to Business Entities", "On Development and State Support of Small and Medium Enterprises in Ukraine" and "On Stimulation of the Development of the Digital Economy in Ukraine". The listed laws establish the legal, economic, and organizational basis for regulating the activities of business entities.

But, considering the peculiarities of the situation in Ukraine, a new management methodology for the economic support system is necessary. Promoting the development of entrepreneurship is possible only by combining and coordinating various forms, methods, means of state regulation and support. Considering today's complex conditions, the state should use all the regulatory levers known in practice, as well as develop new programs to support and stimulate the conduct of domestic business [4].

The purpose of the study was to analyze the newest tools of state support and development of business activity during the war in Ukraine, to highlight the features of their implementation; and a review of current analytical data to establish the effectiveness of the implemented methodology.

Materials and methods. The following scientific methods of research were used during the writing of the article: comparative, analytical, descriptive, structural and functional, sociological analysis methods, expert evaluation methods.

Connection with the works of other researchers. Even though the chosen research topic is new for the science of public administration in Ukraine and, for the most part, the basis for the research was sociological research and directly legislation, articles in online publications, the works of such scientists were used contributed to the development of empirical foundations in the field of state support of small business enterprises such as Dobulyak L.P., Melnyk T.Yu., Prokopets L.V., Oliynyk L.G.

Results and discussion. As already mentioned above, for the first time in the years of independence, Ukraine faced the need to adapt to such extremely difficult challenges as martial law.

Martial law is a special legal regime that provides for restrictions on the constitutional rights and freedoms of a person and a citizen, as well as the rights and legal interests of legal entities, with an indication of the period of validity of these restrictions. Such a special legal regime has a significant impact on all spheres of business. In response to the challenges posed to business, over the past 8 months, entrepreneurship in Ukraine has undergone significant changes: structural, territorial, and sectoral.

According to general trends, the structure of the economy changed in favor of non-profit organizations, for example, in the first five months of the war, 22% of the total number of registered legal entities have the status of profitability, and 78% belong to non-profit organizations (charitable funds, departments of local self-government bodies, public organizations). In addition, a new phenomenon for the economy of Ukraine was the territorial relocation of large, small, and medium-sized businesses from regions where hostilities are taking place and from temporarily occupied territories. All business objects, according to this criterion, can be divided into several types: those that remained in the place of economic activity, those that work in a hybrid mode (partially remote) and those that relocated – changed the place of activity and registered in another region.

In this context, the direction of economic activity is important. For example, the peculiarities of the IT industry make it possible to be the flagship of remote or hybrid work; and the sphere of capital construction (92%), production of goods (90%), i.e., those for whom moving to another region is difficult or impossible at all remained in place. At the same time, the sphere of service and provision of services is more mobile within the state. The leaders among the regions in which the most profitable organizations were registered during the five months of the full-scale invasion were: Kyiv – 93; Lviv region – 54; Dnipropetrovsk region – 41; Ivano-Frankivsk region – 35; Khmelnytskyi region – 33; Odesa region – 27. The process of registration of natural persons-entrepreneurs has significantly increased, among the regions, the leaders have become: Kyiv – 716, Zhytomyr – 297, Sumy – 214, Chernihiv – 176 [5].

Such results of analytical studies reflect the implementation of a systematic and operationally formed policy of state support – the set of legal, organizational, fiscal measures for the regulation of business activity, which provides for the conscious formation by state authorities and local self-government of relevant business support tools, in particular, the creation of incentives, the use of material, financial and other resources involved for its subjects. The priority of state regulation and support of entrepreneurship in war conditions necessitates the transition from direct administrative assistance to the formation of a favorable economic and social environment for the improvement of mechanisms and tools for stimulating the development of business entities [4].

Worse analytics in the field of social responsibility, due to heavy business losses caused by the crisis phenomena of the economy, aggravated by the pandemic and, especially, martial law.

Today, 140 business entities in Ukraine are unable to systematically solve social problems and introduce social innovations. Social responsibility has not yet become part of the organizational management of enterprises, because only some companies implement a policy of social responsibility, and an even smaller number have the resources for it. Only part of the large enterprises, in the vast majority with foreign capital, implement social projects. In this aspect, incentives for the implementation of the social responsibility policy for Ukrainian companies are the introduction of preferential taxation and the reduction of administrative pressure. It is worth noting that in the current extremely difficult conditions, the state takes the necessary, affordable steps to support entrepreneurs who find themselves in difficult conditions, we will consider them in more detail.

The first, and in the opinion of the authors, one of the most effective levers for supporting business entities is fiscal liberalization. To preserve the tax potential of Ukrainian business in the conditions of war, the Government of Ukraine adopted a package of fiscal decisions for the period of martial law, which will operate until the normalization of the functioning of the economy and financial system, and began the implementation of a new radical and liberal tax reform. Thus, in March 2022, Law of Ukraine No. 2120-IX "On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the effect of norms during the period of martial law" was adopted, which provides for a radical tax reform during the period of martial law.

The main principles of the reform provide: natural persons-entrepreneurs of the 1st and 2nd groups will be exempted from paying a single insurance contribution (hereinafter referred to as the Social Insurance Contribution) during martial law and within a year after its end; enterprises and natural persons-entrepreneurs of the 3rd group will be exempted from paying the social security tax for employees who were called up to the ranks of the Armed Forces, other armed formations (including territorial defense). The fee will be paid at the expense of the state; the payment of taxes is postponed for all enterprises that are unable to pay them [7].

In addition, the legislation significantly expanded the possibility to use the single tax option for business entities: enterprises on the general taxation system were given the opportunity to pay a tax of 2% of turnover instead of VAT (20%) and income tax (18%); lifting the limit on the number of workers and the income limit; restrictions on types of activities have been removed (except for excise goods and gambling business); exempted from land tax and environmental tax in the territories where hostilities are (were) conducted or which were temporarily occupied [2, p. 17].

The next comprehensive step implemented at the state level is a mechanism for compensating the employer for labor costs for each employed person from among internally displaced persons. The conditions, mechanism of payment and procedure for using funds for providing compensation to the employer for labor costs for each employed person from among

internally displaced persons because of hostilities during martial law in Ukraine at the expense of the state budget reserve fund are determined. In addition, the Government has approved a list of administrative-territorial units, on the territory of which the payers of the single contribution to the mandatory state social insurance, who are registered in the relevant territory, can be provided with assistance within the framework of the "eAid" Program.

Expense compensation to the employer is provided in the amount of 6,500 hryvnias per month for each employed person, for whom the employer pays a single contribution to the mandatory state social insurance. The total duration of providing compensation for expenses cannot exceed two months from the day of employment of a person. It is worth noting that the implementation of such a measure has a complex effect: in addition to direct business assistance from the state, it allows people from the number of immigrants to adapt faster, stimulates the labor market, solving a serious social problem. That is, such a tool combines both direct and indirect means of regulation.

Another complex lever in the system of state business support during hostilities was the state relocation program. This tool has never been used on such a scale since the independence of Ukraine. Relocation is a difficult process for business and enterprises (especially in the field of construction or production) at any time, but in wartime it is necessary for its preservation.

The process of relocation of business activity took place almost immediately after the start of hostilities: in two months, 1,171 Ukrainian enterprises began the process of evacuating their factories. More than 400 companies have partially or completely relocated their facilities, of which 216 have resumed work. About 500 more entrepreneurs are looking for sites for accommodation.

The regulatory and legal basis for the implementation of the business relocation program is the Order of the Government of Ukraine dated 25.03.2022 No. 246-r "On the approval of the plan of urgent measures to relocate, in case of need, the production capacities of business entities from territories where hostilities are underway and/or there is a threat hostility, to safe territory". It is quite appropriate that the priorities in receiving state support from relocation are strategically important enterprises that manufacture essential products to meet the needs of the military, territorial defense, and the civilian population, although this program is open to all businesses, without exception, that are at risk and active hostilities, including with a staff of 10-20 people.

Turning to the specifics, it is necessary, it is worth highlighting the specific organizational and logistical measures that make up the package of state support for relocation: selection of the location for the company's facilities; assistance with transportation to a new location; assistance in the resettlement of employees and the search for new employees; support in restoring of logistics, purchasing raw materials and finding sales markets.

In accordance with the state program, enterprises are being relocated to one of nine regions (Zakarpatska, Ivano-Frankivsk, Lviv, Ternopil, Khmelnytskyi, Chernivtsi, Vinnytsia, Volyn and Rivne regions). Currently, it is foreseen that after the end of the hostilities, the enterprises will return to their original locations and give an impetus to the reconstruction of the economy in the territorial communities.

The forefront is the information and analytical support of the current relocation program: State Enterprise "Prozorro. Sales" together with the E-Tender marketplace has developed an IT system that allows not only companies in need of relocation to submit applications, but also those companies that are ready to contribute: provide a place for placement or other assets. The platform will allow not only to collect and process such requests, but also to monitor the relocation process online, which will be implemented by the Ministry of Economy together with the Ministry of Infrastructure, Ukrzaliznytsia, Ukrposhta and other participants. This option makes it possible to identify difficulties in the process and eliminate them. For the implementation of the relocation project, the global vendor Microsoft Corporation provided cloud services for use within the general program of support for government bodies and businesses. This made it possible to provide the infrastructure solution for the automation of relocation processes of Ukrainian enterprises [9].

With high probability, it is expedient to predict that such an important indicator of the country's economic and social development, which, among other things, depends on the success and activity of local business, as the uniform development of regions, will not yet be in high positions.

Another financial tool for stimulating business development, which is relevant both in peacetime and in wartime, is preferential lending. Even before the full-scale invasion, the program of affordable loans for businesses "5-7-9%" proposed by the Government in early 2020 was active in Ukraine to stimulate investment lending at appropriate rates. However, the covid pandemic changed its priorities: additionally, anti-crisis loans appeared to replenish working capital and refinance loans – at 0-3%. They became the main areas of the program – in the first two years, 88.8% of all loans were issued at a low rate. But new realities require even more liberal solutions. On March 18, 2022, the government decided to launch interest-free business lending during the war. The program of affordable financing for exporters during the war "Loans for the implementation of foreign economic contracts under a simplified procedure" will help Ukrainian manufacturers to enter new markets and become competitive [3].

It is important that unsecured pre-export financing can be combined with other credit products of banks, as well as other state support programs, in particular with portfolio guarantee instruments (for example, guarantees of the Entrepreneurship Development Fund) and the program "Affordable loans at 5-7-9%".

The regulatory and legal framework, thanks to which the operation of the program became possible, is made up of a package of decisions. Adoption by the Verkhovna Rada of Ukraine of amendments to the Law of Ukraine "On ensuring large-scale expansion of the export of goods (works, services) of Ukrainian origin by means of insurance, guaranteeing and cheapening of export crediting" on ensuring the effective functioning of the Export Credit Agency of Ukraine dated March 22, 2022. In accordance with the Regulation on determining the amount of credit risk in active banking operations by banks of Ukraine, approved by the Resolution of the Board of the National Bank of Ukraine dated June 30, 2016 No. 351, guarantees, insurance contracts of the Company are an acceptable type of collateral with a collateral liquidity ratio of 0.85. With the Resolution dated March 18, 2022 No. 312, the Cabinet of Ministers of Ukraine expanded the list of instruments that allow banks to grant loans within the framework of the "Affordable Loans 5-7-9%" program, in case of a lack of collateral, by supplementing the list with export credit insurance from the Export Credit Agency.

The result of the implemented policy was an increase in the volume of Ukrainian exports in monetary terms by more than 23% compared to August of this year. According to the Ministry of Economy of Ukraine, in September 2022, Ukrainian enterprises exported products worth 4 billion 144 million dollars abroad. For comparison, in August this figure was 3 billion 363 million dollars. This is the best result since February 2022. The volume of Ukrainian exports also increased in quantitative terms. If in August the volume of Ukrainian products exported abroad amounted to 7.29 million tons, then in September this figure increased by 32% to 9.66 million tons. Accordingly, as a result, the indicator of the balance of the trade balance improved in September – the volume of imports last month exceeded the volume of exports by only 354 million dollars, while in August the negative balance of the trade balance amounted to 1 billion 53 million dollars.

Such positive trends are a confirmation of the effectiveness of state policy in the direction of stimulating lending to the export-oriented sector of economic activity, especially considering the raw material direction of the economy of Ukraine as a whole.

The next operational and procedural simplification introduced by the state is enshrined in Government Resolution No. 303 dated 13.03.2022 "On the termination of measures of state supervision (control) and state market supervision under martial law" is the simplification of the system of supervision and control by state bodies, institutions, and organizations. According to it, during the period of martial law, it is allowed to carry out unscheduled measures of state supervision (control) only in certain areas, in order to prevent an uncontrolled increase in the prices of goods that have significant social significance, solely on the basis of a decision of the central executive body, which ensures the formation of state policy in the relevant sphere: in the presence of a threat that has a significant negative impact on the rights, legitimate interests, life and health of

a person, protection of the natural environment and ensuring the security of the state; in order to fulfill Ukraine's international obligations [10].

It worth paying attention to the fact that checks by state supervision (control) bodies have been canceled, so, for example, the State Tax Service of Ukraine is not one of them. However, liberalization has not bypassed the field of tax audits, so the Law of Ukraine dated March 15, 2022 No. 2120-XX "On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the effect of norms for the period of martial law" amended the Tax Code of Ukraine, in particular, supplemented by a new paragraph 69.2 clause 69 subsection 10 chapter XX "Transitional Provisions".

In accordance with the norms of tax legislation, tax audits are not initiated, and initiated audits are stopped, except for: chamber audits of declarations or clarifying calculations (in the case of their submission) to which an application for the return of the amount of budget compensation is submitted, the indicators of which formed based on tax invoices and/or adjustment calculations drawn up and registered in the Unified register of tax invoices and/or customs declarations, with the exception of goods (products) defined by law; actual inspections (according to a specific list of grounds) [6].

Conclusions. Despite the unprecedented crisis phenomena in the economy of Ukraine caused by the invasion of Russia, representatives of various types of economic activity, showing flexibility and dynamism, quickly adapt to new realities, realizing the responsibility for filling the budget and jobs and social balance in the state. This is caused by the implementation of a comprehensive and systematic policy of support from the state.

A number of state programs are aimed at supporting and developing small and medium-sized businesses, which include: liberalization of taxation; improvement of credit conditions, especially for subjects of foreign economic activity; introduction of a number of social programs for business entities that resolve the issue of employment of internally displaced persons; softening of control and supervision activities by state bodies, availability of grants aimed at training business representatives and supporting socially significant areas; informational and organizational support for both newly created business entities and those that need to change their place of business.

Having analyzed sociological studies reflecting the current state and structure of small and medium-sized businesses, we can conclude that relocation is possible and not typical for all types of economic activity, according to the principle of the expediency of transporting enterprises, we can distinguish: those that have moved, those that work in a hybrid regime, and those that remained in the primary place of activity. During the war, most of the registered business entities are non-profit entities (charitable foundations, public organizations).

A promising direction for further research is the analysis of existing grant programs provided by the state, international organizations, and platforms in the field of support and development of small and medium-sized businesses in Ukraine during the war. In addition, the issue of digitalization of business in Ukraine during the war deserves special attention of scientists.

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