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TENDENCIES AND STRUCTURAL CHANGES IN ENTREPRENEURSHIP IN UKRAINE UNDER WAR CONDITIONS

Abstract: *As a result of the research, it has been revealed that only after three months of the war, the economy throughout the country has gradually begun to revive, and the number of new enterprises has gradually increased. During May 2022, the rate of establishment of new enterprises, compared to the indicators of the corresponding period in 2020, was higher by 24% and reached almost 90% of the level of the corresponding period in 2021. Despite this, it has been established that the forecast tendencies for the development of Ukrainian entrepreneurship in the near term are negative, a drop in GDP by 45% is expected in 2022, with a gradual recovery of 2,1% in 2023 and 5,8% in 2024. The main reasons are difficulties in forecasting the development of the economic situation, rising prices for raw materials and resources, inefficiency, high cost and territorial complexity of logistics, insufficient qualified labour force, reduction in the number of solvent population, reduction in foreign economic activity.*

Keywords: *enterprise, entrepreneurship, entrepreneurial activity, war in Ukraine, wartime posture, entrepreneurship in war conditions*

1. Introduction

The full-scale invasion into Ukraine has caused great damage to the national business, and also has led to its destruction. According to the data of the survey conducted by the Ministry of Digital Transformation of Ukraine, from the beginning of the war until nowadays, 47 percent of enterprises have suspended or practically suspended their activities, and the total direct losses of small and medium-sized businesses since February 24 have reached 85 billion US dollars. Simultaneously, with the projected fall in Ukraine's GDP this year by at least 30-35 percent, this creates significant challenges for the business activities of citizens. As a result, unemployment increases, incomes of

employees decrease, and taxes paid to the state and local budgets bring down.

The principal issues preventing recovery and business development under war conditions include the small number of solvent customers, the unpredictability of the development of circumstances in the state, and the lack of adequate finances. Taking this into consideration, very few businesses have adapted to the situation and managed to formulate strategy and business plans against the background of the new reality. However, despite such a small percentage, a considerable number of domestic entrepreneurs have managed to find resources and continue to provide support to the state, as well as assistance to the Armed Forces of Ukraine.

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The purpose of the present academic paper lies in analysing tendencies and structural changes in the field of entrepreneurship in Ukraine in the conditions of the war, as well as providing practical recommendations for supporting the economy and, accordingly, improving the entrepreneurship environment.

In the theoretical section of the study, a comparative analysis of the main scientific approaches to the study of the main trends in the development of entrepreneurship in Ukraine and the analysis of structural changes caused by the military invasion and armed aggression of the Russian Federation in relation to sovereign Ukraine was carried out; the main causes of destabilization of the sustainable development of entrepreneurship according to all criteria are determined and the importance of the sustainable development of entrepreneurship for the country is outlined.

The practical part of the study involves the implementation of a set of measures, as a result of which the dynamics of the number of business entities in Ukraine for 2015-2021 were analyzed and the performance indicators of their activities in war conditions were evaluated; a comparative analysis of the number of business structures that registered in 2020-2022 was carried out; the total amount of direct business losses as a result of military actions on the territory of Ukraine was calculated; the causes of the main problems of the development of entrepreneurship in the conditions of war are substantiated.

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2. Literature Review

Under today's changing environment in which business develops, restructuring is a necessary condition for economic systems, while business entities should adapt to and, in addition, shape the dynamic target environment in order to be sustainable and competitive. We agree with the statement that "currently, entrepreneurship is perceived as a generator of economic growth, job creation and social development all over the world" (Kruja-Demneri, 2020; Hampel et al., 2020). The last decades of the world economy (including the last economic crisis) have shown restructuring as a radical and complex method of reconstruction, associated with great risk in its nature and scale; thus, it is vital to both businesses and economic systems" (Tamošiūnas, 2017). Restructuring has different forms, which depend on the main factors of the external environment and are determined by the company's capabilities" (Mostenska et al., 2021).

J. Gaddefors, in co-authorship with S. Korsgaard and M. Ingstrup, have come to the conclusion that "entrepreneurs contribute to innovation that promotes positive development in organizationally weak regions by exploring a still insufficiently explored mechanism of regional development, namely exaptation" (Gaddefors, Korsgaard & Ingstrup, 2020). As modern researchers point out, "mergers create positive value for acquiring companies after the merger, and deferred synergies have a positive effect on future synergies" (Gupta et al., 2021). The author M. Rodríguez-Villalobos emphasizes that it is necessary to "analyse the productivity and efficiency of companies in the conditions of globalization of markets. In an environment like the current one, it is significant to analyse how companies can take advantage of economies of scale and become more efficient, creating added value for each country's industry" (Rodríguez-Villalobos et al., 2018).

New environmental regulations, requirements set by customers for environmentally friendly products and economic benefits, such as saving resources, encourage enterprises to consider production from a sustainable development perspective (Zarte et al., 2019). At face value, this systematic approach to entrepreneurship offers a new and distinct path for academics and policy makers to help understand and promote growth-driven entrepreneurship” (Brown et al., 2017). In this context, an important observation is the conclusion of A. Hrebennikova, L. Artemchuk, V. Nahorny, N. Dalyak and O. Ruban, which consists in the fact that “the key factor in ensuring the effect of scale for enterprises is the strategic factor of management capabilities – achieving the effect through the special competence of the organization’s management – which in the complex pays significant attention to effective interaction between enterprises and between different departments of the enterprise” (Hrebennikova et al., 2021).

It is worth emphasizing that, in addition to the typical macroeconomic problems faced by the world economy, “after the COVID-19 pandemic, in addition to the threat to public health, the crisis and related restrictions on international travel and social distancing measures have affected the source life of many economies” (Development and Globalization, 2021; Giones, F, Brem, A, Pollack, JM, et al., 2020). As the scholars note, “despite the fact that large global enterprises are searching for new ways to thrive in the face of crisis, small and medium-sized enterprises (SMEs) located in local economies have not been resilient to the shocks that have led to the collapse of countless local economies” (Korsgaard et al., 2020). For small businesses and the local community, the main thing in this struggle for survival is the entrepreneurial turnaround process, which boils down to adapting business models and offers of goods and services to large changes in demand “by rebuilding local support structures to

mitigate the social costs of the crisis” (Bacq et al., 2020).

It is worth paying particular attention to the problems of small and medium enterprises. As G. Katamadze notes, “in the structure of the economy of most EU countries, small business occupies the leading position, forasmuch as it has a number of significant advantages. In some cases, the results of the reforms become tangible, but in many cases, unfortunately, they do not” (Problems of small and medium business: expert opinion, 2020). At the same time, “the transformation of forms of organizing the Ukrainian business and the gradual transition to network forms of business organization is an evolutionary step (Dykan et al., 2021).

New investigations on “maker spaces” bear evidence of growing awareness that “entrepreneurship as an industry and as an activity is fruitless without contextualizing entrepreneurial ideas and actions that explain how and why entrepreneurs engage in social exchange. Creation of knowledge and the latest production, which includes products of formally exclusive origin of large enterprises” (Browder et al., 2019). As several reports on entrepreneurship have noted, “there is a long-standing tendency to ignore or underestimate the importance of contexts, including spatial context” (Welter & Baker, 2020; Welter, Baker & Wirsching, 2019). J. Gaddefors examines the principle of contexts on the example of enterprises in agriculture. Each context has different resources; consequently, understanding rural entrepreneurship involves connecting actions and practices with the implementation of these resources” (Gaddefors et al., 2019).

In the context of our research, it should be noted that in addition to the existing problems of the new globalized world, the need for sustainable development and the negative consequences of the coronavirus pandemic, the invasion of the Russian Federation on the territory of Ukraine has become a new challenge for the implementation of safe and effective

business activities. As T. Melnyk notes, the development of entrepreneurship in the conditions of wartime posture “determines the need to form a special view on the nature of state support and stimulation of business development as a sphere that, on the one hand, is key to the economic growth of the country, and on the other hand, it is in constant oppression and burdened by ineffective reforms and legislative restrictions. (Melnyk, 2022). At the same time, O. Achkasova emphasizes that in the conditions of war “the state demonstrates limited opportunities against the background of an unlimited number of unresolved issues of the social sphere (Achkasova, 2022). Therefore, the difficult economic situation and the wartime posture require careful consideration of the issue of support and development of entrepreneurship, forasmuch as it can smooth out acute issues in the social environment and speed up their resolution. Socially vulnerable segments of the population are especially in need of employment and social adaptation; therefore, their active involvement in the reconstruction of entrepreneurship is beneficial for both parties. In addition, the structure of the economy changes during the wartime posture, namely: there is a reorientation of production to the needs of the military, medical, fuel and other industries, the manufacture and sale of essential commodities, transport logistics are being increased; priority is given to the work of critical infrastructure, volunteering is spreading massively.

3. Methodology

The researcher conducted theoretical and applied studies of trends and structural changes in entrepreneurship in Ukraine under the conditions of the Russian-Ukrainian war using such general scientific and special methods of economic analysis as: synthesis; generalization; comparison and systematization; system method; methods of comparison and generalization; modeling

method and abstract logical method. Scientific research is aimed at identifying the causes of structural changes in entrepreneurship in Ukraine under the conditions of the Russian-Ukrainian war.

The theoretical and methodological basis for the implementation of the research goal is the use of the general scientific and special scientific methods as follows: analysis and synthesis - for detailing the research object; generalization - to reveal the theoretical and methodological fundamentals of entrepreneurial activity; comparative method and systematization - for studying entrepreneurial activity in the context of foreign and domestic experience; system method - for revealing the conceptual principles of entrepreneurial activity; the method of comparison and generalization - when studying the impact of the war on entrepreneurship in Ukraine; modelling method – for developing directions for optimization and improvement of business activity in Ukraine in wartime conditions; abstract-logical method – for theoretical generalization and formulation of conclusions and proposals. The branch of entrepreneurship and business of Ukraine was chosen for conducting the research.

4. Results

Business demography is a concept that is used to consider the characteristic features of a number of enterprises. Establishment (or registration) of new enterprises and closure (or liquidation) of enterprises is a significant indicator of business and entrepreneurship development. In 2019, the degree of registration of enterprises in the European Union (calculated as the number of registered enterprises as a percentage of the number of active enterprises) in the business economy reached 10,0% (refer to Figure 1). The indicated coefficient ranged from the highest 19,4% in Lithuania and 15,8% in Portugal to 4,8% in Greece.

The liquidation of the enterprise is connected with the final closing of the enterprise.

Therefore, the information provided here does not allow for changes due to mergers, acquisitions, divisions or other types of restructuring, in particular, changes in activities. In 2019, the previous degree of liquidation of enterprises in the business economy of the European Union reached 8,3%, ranging from the highest indicators of 29,5% (Bulgaria) and 22,5% (Lithuania) to the lowest of 1,0% in Ireland.

Although business dynamics play an important role in the performance of the economy as a whole, individual entrepreneurs are more likely to worry about the growth and survival of their own business. In 2019, four out of every five enterprises that had been created in the previous year in the business economy of the European Union survived their first year: the one-year survival rate reached 82 percent. This indicator specified was particularly significant in Sweden and Greece (97% of new enterprises functioned for one year), while 96% of newly created enterprises functioned for at least one year in the Netherlands and Belgium. In Lithuania, on the contrary, 63% of new enterprises survived the first year.

The five-year survival rate in the European Union for enterprises established in 2014 and still active in 2019 reached 45%; that is, less than half of all new enterprises from the group of 2014 survived to 2019. The five-year survival rate of enterprises reached less

than 50% for the majority of countries that were members of the European Union, and the lowest rate was established in Lithuania (29%). The highest indicators were recorded in Belgium and Sweden (both - 62%), followed by the Netherlands (59%).

The opening of new enterprises and subsequent business development can potentially affect employment. In 2019, dynamically growing enterprises accounted for 11,5% of all enterprises in the business economy of the European Union. The mentioned enterprises are mainly distributed in the information and communication sphere – 17,9%, as well as in administrative and auxiliary activities – 14,6%. At the other end of the range, there are three capital-intensive forms of activity: mining and quarrying (9,3%; information as of 2018), real estate transactions (8,5%), as well as the supply of electricity, gas, steam and conditioned air (8,2%) – they are characterized by the highest value. The smallest share is in dynamically developing enterprises.

In 2019, companies with significant growth rates were almost every sixth company in the business economies of Greece, Ireland, Spain, and Finland. Conversely, there were six EU member states with less than 1 in 10 high-growth businesses, with exceptionally small shares in Cyprus (3,5%) and Romania (2,4%).

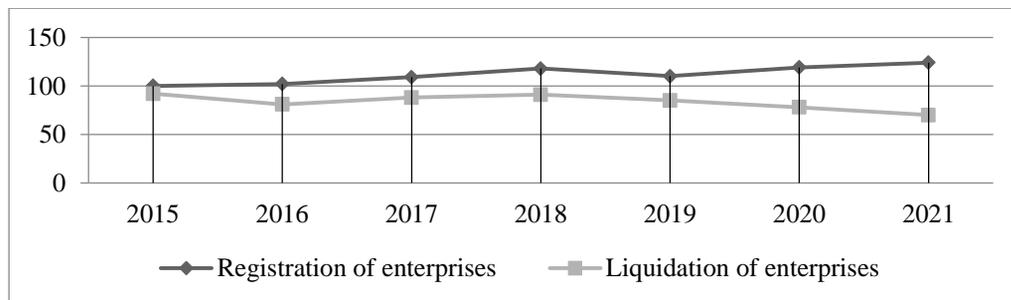


Figure 1. Dynamics of registration of enterprises and notification of bankruptcy in the business economy of Europe for 2015-2021, % (2015 – 100%)
 Source: based on the data (Key figures on European business, 2022)

In contrast to information regarding the establishment of the enterprise, business registration is considered an administrative procedure that can be considered as a statement of intent. From the beginning of 2017 to the end of 2019, a relatively unchanged trend towards an increase in the number of business registrations in the European Union was followed. This tendency unexpectedly slowed down in the first quarter of 2020 – it was influenced by the impact of the COVID-19 pandemic and corresponding restrictive measures; a much sharper drop was established in the second quarter of 2020. In the third quarter of 2020, the percentage of business registrations changed to the highest level recorded at the end of 2019. After that, a relatively stable development was noted until the end of 2021.

An early feature for determining sentiment in the business economy is notification of bankruptcy. Certain businesses that have filed for bankruptcy may be sold, for this reason this, they are not necessarily irrevocably closed, in contrast to the situation in which the enterprise is liquidated. From the beginning of 2015 to the end of 2016, the number of notifications of bankruptcy in the European Union remained relatively unchanged until the first quarter of 2020, when the first impact of the pandemic and restrictive measures became palpable. Concerning the issue of registration of enterprises, the number of notifications of bankruptcy decreased even more in the second quarter of 2020. Despite increases in each of the following three quarters, the number of notifications of bankruptcy in the first quarter of 2021 was still clearly below the level of the end of 2020. For the remainder of 2021, the number of bankruptcy filings declined again, but remained above the low level set in the second quarter of 2020. Let's consider the similar dynamics of the number of business entities in Ukraine for 2015-2021 (Table 1).

As it can be seen, a rather heterogeneous trend of entrepreneurship development in Ukraine is observed during the period under study. In particular, there was an increase in the number of subjects of large entrepreneurship, namely by 92 units and the number of subjects of medium entrepreneurship, namely by 2502 units. At the same time, there was a decrease in the number of small business entities, namely by 3242 units and the number of micro-business entities, namely by 11916 units. As it is known, small entrepreneurs are an indicator of how easy and profitable it is to do business in the country, forasmuch it is individual entrepreneurs (IEs) and other small businessmen who themselves should make efforts to develop their own business. The containment measures introduced during 2020-2021 to prevent the spread of COVID-19 proved to be an unprecedented challenge not only for national governments and the public, but also for business entities. As experience shows, a large business adapts quite quickly to the challenges of economic crises, it has the appropriate financial resources to prevent bankruptcy. Along with this, small business entities, which do not have an adequate so-called cash cushion, have become the most vulnerable against the backdrop of violation of macroeconomic stability.

The vast majority of small businesses (and this is about 4 million jobs) have lost almost 75% of their income. In Ukraine and throughout the world, in general, small business entities take many measures in order to adapt to new conditions in the economy. This is implemented thanks to both targeted state aid and thanks to the entrepreneurs' own efforts, their ability to adapt to changed circumstances. The introduction of forced containment measures due to the COVID-19 pandemic has caused not only negative effects for the economy, but also created additional opportunities.

Table 1. Dynamics of the number of subjects of large, medium, small and micro enterprises in Ukraine for 2015-2021

Indicator	Number of active entities							Abs. deviation, 2021 compared
	2015	2016	2017	2018	2019	2020	2021	
Large entrepreneurship entities, units	423	383	399	446	518	512	515	92
Medium entrepreneurship entities, units	15510	15113	15254	16476	18129	17946	18012	2502
Medium-size enterprises total, units	15203	14832	14937	16057	17751	17602	17706	2503
in % to the total	98,0	98,1	97,9	97,5	97,9	98,1	98,3	0,3
natural entities-entrepreneurs total, units	307	281	317	419	378	344	306	-1
in % to the total	2,0	1,9	2,1	2,5	2,1	1,9	1,7	-0,3
Small business entities (including micro-business), units	1958385	1850034	1789406	1822671	1922978	1955119	1955143	-3242
small enterprises total, units	327814	291154	322920	339374	362328	355708	361701	33887
in % to the total	16,7	15,7	18,0	18,6	18,8	18,2	18,5	1,8
natural entities-entrepreneurs total, units	1630571	1558880	1466486	1483297	1560650	1599411	1593442	-37129
in % to the total	83,3	84,3	82,0	81,4	81,2	81,8	81,5	-1,8
Microentrepreneurship entities, units	1910830	1800736	1737082	1764737	1864013	1898902	1898914	-11916
microenterprises total, units	284241	247695	278102	292772	313380	307871	309523	25282
in % to the total	14,9	13,8	16,0	16,6	16,8	16,2	16,3	1,4
natural entities-entrepreneurs total, units	1626589	1553041	1458980	1471965	1550633	1591031	1589391	-37198
in % to the total	85,1	86,2	84,0	83,4	83,2	83,8	83,7	-1,4
Total	3885148	3666266	3542141	3604330	3805638	3872479	3872584	-12564

Source: it has been calculated based on data (Activities of subjects of large, medium, small and micro enterprises, 2021)

First of all, we are talking about the implementation of new opportunities for establishing labour relations, taking into account the introduction of flexible work regime, as well as remote (home) work.

Table 2 shows the dynamics of the volume of products sold as a result of the activities of large, medium, small and micro enterprises for 2015-2021.

Table 1. Dynamics of the volume of products sold as a result of the activities of large, medium, small and micro enterprises for 2015-2021

Indicator	Turnover							Abs. deviation, 2021 compared with 2015
	2015	2016	2017	2018	2019	2020	2021	
Large entrepreneurship entities, mln. UAH	2053 189,5	2391 454,3	2929 516,6	3515 839,5	3631 415,3	3626 388,0	3626 912,4	1573 722,9
Medium entrepreneurship entities, mln. UAH	2184 376,8	2683 303,5	3314 956,1	3954 017,4	4194 484,1	4384 676,2	4584 721,1	2400 344,3
Small entrepreneurship entities (taking into account micro-entrepreneurship), mln. UAH	1318 974,1	1651 982,0	2067 799,2	2496 947,6	2698 213,4	3051 232,9	318 200,1	-1000 774
Microentrepreneurship entities, mln. UAH	665 725,8	811 546,4	1052 149,5	1292 430,6	1430 559,7	1652 040,7	1662 114,2	996 388,4
Total	6222 266,2	7538 286,2	9364 421,4	11259 235,0	11954 673,0	12714 338,0	10191 947,8	3969 681,6

Source: it has been calculated based on data (Activities of subjects of large, medium, small and micro enterprises, 2021)

According to the data in the table, it can be concluded that a negative trend for the period under study is observed only in the activities of small business entities. In 2021, the actual value of the volume of UAH less than in 2015. Undoubtedly, the invasion of the Russian Federation on the territory of Ukraine has had a great impact on the development of business in the country. However, as it has been found out in practice, entrepreneurs and business can work stably in the circumstances of war, they are considered to be the real basis of Ukraine's economy. Creation of appropriate conditions for the functioning of national business is a guarantee that the state budget will be filled and citizens will be solvent. The growth of business activity is the main factor in improving the economic stability of the country, and, therefore, its ability to

effectively counter the aggressor.

Precisely because of this, the government and parliament have launched a number of initiatives aimed at helping entrepreneurship under the conditions of the war. According to the new regulations, the following measures are implemented, namely: the reduction of tax pressure, simplification and improvement of tax rules during wartime posture is determined; reduction of requirements for obtaining and checking permit documentation (licenses); simplification of business conditions for individual entrepreneurs; providing loans and compensation for business; assistance to agribusiness and the food industry; liberalization of labour relations; relocation of the business, which will enable the business to continue its activities and bring our victory closer.

Throughout the country, the economy has been gradually recovering: new enterprises, sole proprietorships are being established; business is starting to function in those regions where it can be done. In fact, on March 22-23, registration of new businesses

was resumed. Until now, only charitable foundations and public organizations were actively registered. Figure 2 provides information on the registration of new enterprises after the start of the war in Ukraine.

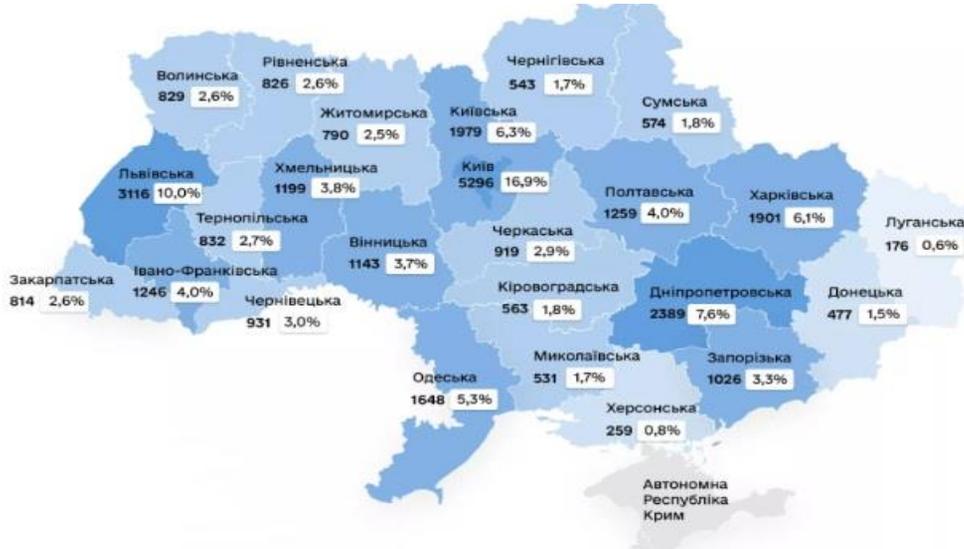


Figure 2. Registration of new enterprises after the start of the war in Ukraine
Source: based on the data (Key figures on European business, 2022)

As it can be observed, the economy has begun to slowly recover throughout the country; it continues to show positive dynamics of the revival of new business registration even today. In general, in the first months of the wartime posture, the rate of new business registration reached 81% by

the corresponding period of 2020 and 47% by the corresponding period of 2021. Figure 3 shows a comparison of the number of business registrations in 2020-2022 enterprises after the start of the war in Ukraine.

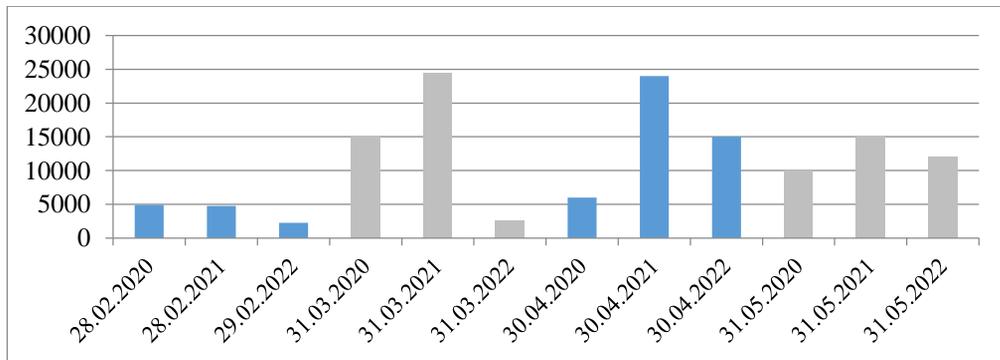


Figure 3. Comparison of the number of business registrations in 2020-2022
Source: based on the data (Key figures on European business, 2022)

Thus, during the three months of the wartime posture, from February 24, 2022 to May 24, 2022, 31 266 business entities were registered, of which 26 386 were individual entrepreneurs (84%). During May 2022, the rate of creation of new enterprises, compared

to the indicators of the corresponding period in 2020, was higher by 24% and reached almost 90% of the level of the corresponding period in 2021. Figure 4 reflects the structure of popular KVEDs among registered profitable legal entities.

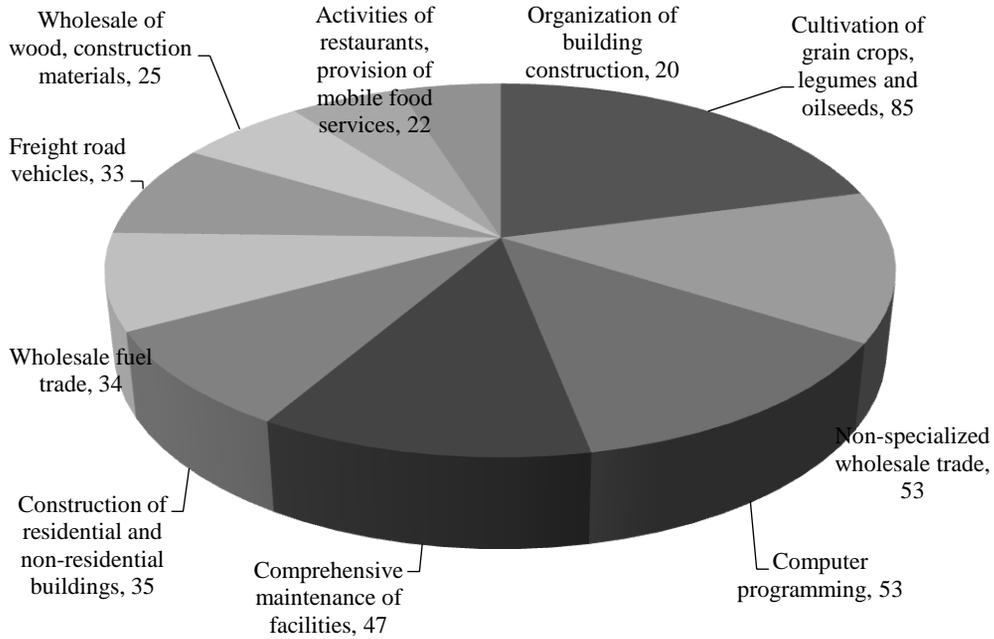


Figure 4. Structure of popular KVEDs among registered profitable legal entities
 Source: based on the data (Key figures on European business, 2022)

The top spheres, in which new profitable legal entities were most often registered during the third month of the war, include as follows: the cultivation of grain crops (except rice), leguminous crops, and oilseeds (7,5% of legal entities); non-specialized wholesale trade (6,4% of legal entities); computer programming (4,7% of legal entities).

As for non-profit organizations, a total of 2407 new non-profit organizations have been registered since the start of the full-scale war. However, in May, compared with the first two months of the war, the dynamics of registration of new non-profit organizations decreased by almost one and a half time - from 1689 to 1372. Thus, while in March-April the share of non-profit organizations in

the total number of legal entities was 79%, then in May it decreased to 54,7%.

Since the beginning of the full-scale war, Ukrainian companies have been actively using the business relocation support program coordinated by the Ministry of Economy of Ukraine. On April 11, SE “Prozorro. Prodazhi”, at the initiative of the Ministry of Economy, with the support of the Ministry of Digital Transformation of Ukraine and the national project for the development of entrepreneurship and export “Dia. Business”, has launched a digital interaction platform to assist with business relocation.

As of June 10, 2022, 1639 enterprises applied for business relocation, 503 of which have already relocated. Of these, most of the

enterprises have already resumed work at the new location. The largest number of enterprises that submitted applications for relocation is from Kharkiv region (25%), Kyiv city (21%) and Kyiv region (13%). The TOP regions, where the most enterprises moved, included: Lviv, Zakarpattia and Chernivtsi regions. In addition, Ukrainian enterprises located in the zone of active hostilities can also apply directly to the regional state administrations in the regions where they plan to relocate. For regions and communities that have already become a haven for IDPs, this opens up a unique opportunity to compete for the inclusion of this entrepreneurial capital and strengthen the local economy. Against the background of such a large-scale trend of relocation, the number of Ukrainian citizens who have gone abroad, there is almost no inclination among businesses to relocate abroad.

It should be emphasized that the adaptation of Ukrainians to the shock of a full-scale war occurs faster than to the shock of quarantine caused by the COVID-19 pandemic. It can be assumed that this is primarily related to the government program to stimulate the development of entrepreneurship, which was discussed above.

Every fifth (and in the West of Ukraine – every third) business is convinced that the development of business, the creation of new jobs, timely and full payment of taxes is an important contribution to the victory of Ukraine in the war with the Russian Federation. At the same time, almost every fifth business in Eastern Ukraine does not have the opportunity to participate in assistance. In the West and in the Centre of the country, the share of such businesses is less than 3%, and in the North and South - slightly less than 6%. Figure 5 shows the current state of business compared to the data prior to the start of the war.

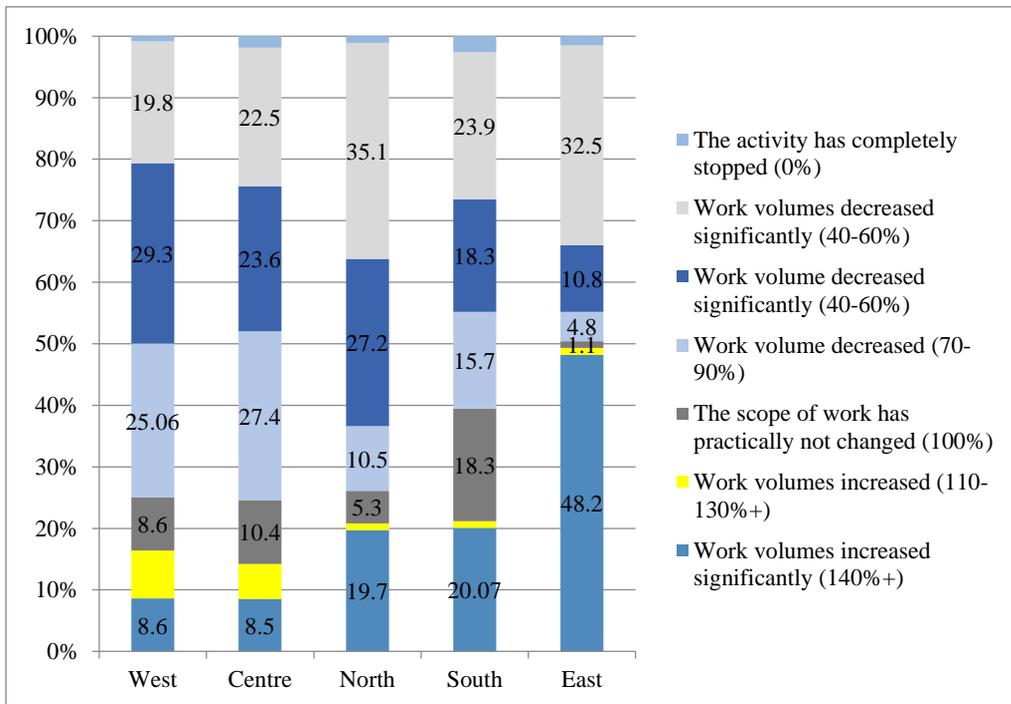


Figure 5. The current state of business compared to the data prior to the start of the war
 Source: based on data (Regional results of the study of the state and needs of business in the conditions of war)

Based on the results of the survey of the Innovation Development Centre, it is worth noting that in general, about 50% of businesses in Ukraine do not work. However, 12,4% were able to maintain or even increase turnover, comparing with the period until 24.02.2022. In the West of Ukraine, the majority of surveyed businesses (29,3%) work partially - at the level of 40–60% of pre-war volumes, and a quarter of enterprises have reduced the volume of activity to 70–90% of the pre-war level. In the Centre of the country, the volume of activity was reduced to 70–90% of the pre-war level of 27.4% of business. Another 23,6% of businesses operate at the level of 40–60% of pre-war indicators, and 22,6% of businesses have almost completely stopped their activities. Business conditions are much

worse in the North, South and East of Ukraine. Thus, the majority of surveyed businesses (35,1%, 23,9% and 32,5%, respectively) declare almost complete cessation of work. At the same time, it is an interesting fact that 18,3% of surveyed businesses in the South of Ukraine practically did not change the scope of their activities during the war. Along with this, almost every fifth respondent in the North and South and every second respondent in the East of the country declare a complete stoppage of work. Figure 6 provides an assessment of direct business losses after the start of the war.

Figure 5 shows the current state of business compared to the data prior to the start of the war.

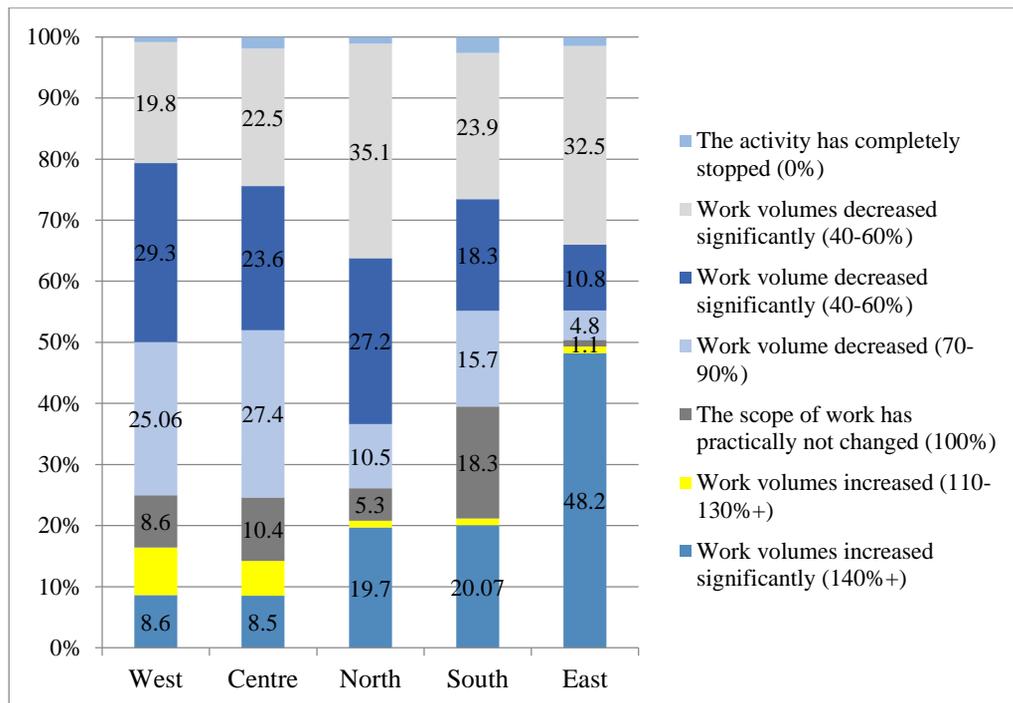


Figure 6. Assessment of direct business losses after the start of the war

Source: based on data (Regional results of the study of the state and needs of business in the conditions of war)

Therefore, since the beginning of the war, business has suffered significant direct costs, which are estimated at 85 billion US dollars.

19% of business entities should complete the relocation. Only about a third of the business entities in the West, Centre, North, and

South of Ukraine did not suffer significant losses. On the other hand, in the East of the country, it is only every sixth business entity. The share of business, the amount of direct losses of which varies between 10-50 thousand US dollars, turned out to be greater in the West, North and South of Ukraine (more than 22%). Along with this, about 19% of similar businesses were found in the Centre and the East. It is clear that the

business that has suffered the most significant losses (in the amount of more than 200 thousand US dollars) is mainly located in the East of Ukraine. Let us consider the forecast indicators of the development of Ukraine until 2024 according to the data of the World Bank (refer to Table 3).

Table 3. Forecast indicators of the development of Ukraine until 2024 according to the World Bank

Indicators	Year					
	2019	2020	2021	2022	2023	2024
Growth in real GDP at constant market prices	3,2	-3,8	3,4	-45,1	2,1	5,8
Inflation (consumer price index)	4,1	5,0	10,0	15,0	19,0	8,4
Current account balance (% of GDP)	-2,7	3,4	-1,1	-6,8	-16,8	-15,3
Fiscal balance (% of GDP)	-2,1	-5,6	-4,0	-17,5	-21,6	-14,6
Debt (% of GDP)	50,2	60,4	50,7	90,7	-	-
Primary balance (% of GDP)	1,2	-2,7	-0,5	-13,8	-16,5	-12,8
Poverty level with an income above the average (5.5 USD according to the 2011 PCS)	2,5	2,5	1,8	19,8	18,5	17,1

Source: based on data (War in the Region, 2022)

According to the data in the table, it can be concluded that the economy of Ukraine remained active after the COVID-19 pandemic, despite all the negative forecasts. However, after the Russian invasion on February 24, 2022, Ukraine has found itself in a large-scale economic and humanitarian crisis. At the end of March, more than 4 million Ukrainian citizens became refugees, and 6,5 million became internally displaced. According to medium-term forecasts, a negative trend in production and export opportunities is expected, and the loss of human resources will have a long-term economic and social negative impact on the development of the economy.

In 2021, economic growth reached 3,4% forasmuch as the government eased COVID-related restrictions, which supported domestic demand, while strong harvests offset the negative impact of high global fuel prices. External positions were relatively strong with a gross reserve of 30,9 billion US dollars, however, this recovery was

interrupted by the outbreak of the war, which completely closed sea trade routes, severely damaged critical infrastructure facilities and caused massive population relocations.

Taking into consideration the likely long duration of the conflict, forecasts are uncertain. However, under the baseline scenario, GDP is expected to decline by 45% in 2022, due to a reduction in import and export activity, a collapse in public and private investment, and a significant reduction in household spending, which is primarily due to large displacement of people, loss of income and significant reduction of livelihoods. It is expected that in 2023-2024, there will be a significant reconstruction of the economy, the reconstruction of entrepreneurship, the development of new types of business, the return of displaced persons, which will help to increase the GDP by approximately 7%. According to the World Bank data, a simulated macroeconomic forecast for the share of the population with incomes below

the subsistence minimum could reach 19,8% in 2022, an increase of 18,0% from the previous year; at the same time, another 59% will be on the verge of poverty. As a result, the development of entrepreneurship will slow down, and the revenue from the sale of products of enterprises will decrease.

5. Conclusion

Thus, it has been established that the tendencies in the development of Ukrainian entrepreneurship in the near future are negative; a drop in GDP by 45% is expected in 2022, with a gradual recovery of 2,1% in 2023 and 5,8% in 2024. The main reasons are difficulties in forecasting the development of the economic situation, rising prices for raw materials and resources, inefficiency, high cost and territorial complexity of logistics, insufficient qualified labour force, reduction in the number of solvent population, reduction in foreign economic activity. Currently, changes have been taking place in the structure of entrepreneurship through the relocation of business, changing the types of activities in favour of military needs and the production of essential commodities. In order to guarantee the survival of Ukrainian entrepreneurship in the circumstances of a violation of macroeconomic stability, it is necessary to take more measures than in a stable situation. We are talking about the appropriateness to experiment, change the established types of doing business, apply atypical solutions and approaches, produce new ideas, and make a financial contribution to the development of education and science so that young people can skilfully implement creative solutions. In our opinion, it is worth focusing on the following steps to support the

economy and, accordingly, improve the business environment in Ukraine, namely:

- to reformat relevant state programs (in particular, provide targeted loans exclusively for the implementation of production activities, in the fields of industry, agriculture, transportation, etc.) in order to support domestic production;
- to approve control and reporting mechanisms for the targeted use of funds by borrowers;
- to inform entrepreneurs who directly carry out production activities about the return of their taxes to replenish working capital (a mandatory condition is the mandatory direction of returned funds to production);
- to allow only critical imports, reducing the list of goods to truly critical items – essential commodities;
- to exercise control over the unscrupulous use of the possibility of simplified mechanisms for the importation of humanitarian aid into the territory of Ukraine in order to prevent personal enrichment of carriers, commercial sale of goods, etc..
- to improve the current legislation in the sphere of regulation of small entrepreneurship, to develop state programs of preferential financing for small enterprises;
- to facilitate the procedure for attracting international financial and technical assistance, etc.

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