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THE ROLE OF SMALL AND MEDIUM-SIZED ENTERPRISES WITHIN THE FRAMEWORK OF POST-WAR SOCIO-ECONOMIC RECOVERY INSTRUMENTS FOR RURAL AREAS

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Abstract. The study explores the role of small and medium-sized enterprises (SMEs) in the post-war socio-economic recovery of rural areas in Ukraine. Theoretical and methodological approaches to analyzing SMEs as drivers of local development are substantiated. Strategic instruments for supporting entrepreneurship are examined, including financial, fiscal, and institutional mechanisms. The priorities of state policy aimed at stimulating SMEs are identified, taking into account the specific conditions of Ukraine. The study concludes that the integration of SMEs into a comprehensive system of post-war rural recovery is essential.

Key words: small and medium-sized businesses (SMEs), post-war reconstruction, rural areas, socio-economic development, support instruments, entrepreneurship, reconstruction.

Аноатація. В роботі досліджено роль малого і середнього бізнесу у процесах повоєнного соціально-економічного відновлення сільських територій України. Обґрунтовано теоретико-методологічні підходи до аналізу МСБ як драйвера локального розвитку. Проаналізовано стратегічні інструменти підтримки підприємництва, включаючи фінансові, податкові та інституційні механізми. Визначено пріоритети державної політики у сфері стимулювання МСБ з урахуванням українських реалій. Зроблено висновок про необхідність інтеграції МСБ у комплексну систему повоєнного відновлення сільських територій.

Ключові слова: малий і середній бізнес (МСБ), повоєнне відновлення, сільські території, соціально-економічний розвиток, інструменти підтримки, підприємництво, відбудова.

Introduction.

Following Russia's full-scale invasion of Ukraine, a significant portion of rural areas has suffered extensive destruction, including the loss of infrastructure, human capital, and economic activity. In the context of post-war recovery, small and medium-sized enterprises (SMEs) have the potential to become key drivers of socio-economic stabilization, employment, and development. Unlike large businesses, SMEs are more flexible, capable of rapid adaptation to change, and able to leverage local resources. However, the effective integration of SMEs into post-war recovery processes requires the development of a system of targeted state support instruments, incentives, and

partnerships with international donors. Research on this issue is critically important for shaping an effective strategy for the recovery of Ukrainian territories.

Main text.

In the process of post-war reconstruction of the socio-economic structure of rural areas, small and medium-sized enterprises (SMEs) play a pivotal role. This underscores the need to conceptualize their functional significance through the lens of contemporary economic theories and methodological approaches. SMEs are regarded as key contributors to the stimulation of entrepreneurial initiative, mobilization of local resources, reduction of unemployment, enhancement of economic self-sufficiency of communities, and the formation of a resilient local economy. The theoretical foundation for analyzing this phenomenon includes concepts of regional development, institutional economics, sustainable development theory, and the paradigm of regenerative economics, which emphasizes the adaptability of economic systems under crisis conditions.

Institutional theory enables the interpretation of SMEs not only as economic units, but also as components of social capital that interact with both formal and informal institutions, including local self-government, national authorities, and international organizations. The institutional environment significantly influences the survival and development prospects of SMEs in rural areas following wartime disruptions. From the perspective of local development theory, SMEs serve as drivers of endogenous growth, contributing to the decentralization of economic activity and the strengthening of social cohesion.

From a methodological standpoint, studying the role of small and medium-sized enterprises (SMEs) in post-war recovery requires an interdisciplinary approach that integrates elements of economic analysis, sociology, public administration, and spatial economics. This approach enables the identification of the specific ways in which entrepreneurial structures contribute to the reconstruction of infrastructure, the formation of new economic linkages, job creation, and the return of populations to affected regions. Empirical methods include statistical data analysis, cross-country comparisons, case studies of post-conflict territories, and expert assessments of SME

potential under specific conditions. A critical methodological consideration is the inclusion of multi-agent interaction - among the state, business sector, civil society, and international donors. Viewing SMEs as active participants in these interactions allows for the development of comprehensive support policies grounded in partnership and coordination. Furthermore, the concept of sustainable development complements the analysis by emphasizing the long-term impacts of SME activity, including environmental responsibility, social inclusion, and the engagement of vulnerable population groups in economic processes.

The theoretical and methodological framework for examining the role of SMEs in the post-war recovery of rural areas is based on the integration of contemporary concepts of regional development, institutional economics, and practical models of economic reconstruction. This provides a profound understanding of the functions of SMEs in shaping a regenerative economy. Such an approach not only allows for the identification of key mechanisms for SME support, but also facilitates the development of effective tools for their integration into the recovery processes of war-affected rural communities.

Rural areas of Ukraine have suffered substantial destruction and socio-economic losses as a result of military aggression, including damage to infrastructure, agricultural production, cooperative linkages, and service networks. Under these conditions, small and medium-sized enterprises (SMEs) - which were already vulnerable prior to the war due to limited access to financing, technology, and skilled labor—now face the risk of disappearance or complete cessation of operations. According to analytical centers, as of the end of 2024, nearly 35% of SMEs in rural regions had suspended or significantly reduced their activities [1;2]. This is particularly true for microbusinesses operating in the sectors of services, processing, trade, and small-scale agricultural production. At the same time, in several western and central regions of Ukraine, which were less affected by hostilities, there has been a noticeable increase in entrepreneurial initiatives among internally displaced persons (IDPs), especially in the areas of food processing, tourism, crafts, and personal services.

An analysis of the structure of active small and medium-sized enterprises (SMEs)

in Ukraine from 2010 to 2023 reveals a relatively stable composition throughout the entire study period. According to the assessment of enterprise dynamics over this time frame, the total number of enterprises in Ukraine declined by 12.4%. Specifically, the number of medium-sized enterprises decreased by 33.02%, while small enterprises saw a reduction of 12.2%. It is important to note that this downward trend in the number of enterprises began even before the onset of the war.

During wartime, government support programs for businesses acquire particular significance and become critically important for the survival of enterprises. Ukrainian businesses have demonstrated resilience in the face of external challenges, continuing to operate and adapt to the evolving conditions of the modern market environment. Nevertheless, enterprises face new challenges on a daily basis, arising directly from the ongoing military situation [3]. One of the most popular programs in 2022 was the “eRobota” initiative. This government program provides non-repayable grants for the implementation of new business projects and the development of existing enterprises, contingent upon the creation of a specified number of jobs. In addition, the Office for Entrepreneurship and Export Development launched a real-time platform containing up-to-date information for Ukrainian exporters who are prepared to supply their products abroad even amidst wartime conditions. A credit program was also introduced to provide financial support to Ukrainian exporters who, due to the full-scale military conflict, require additional resources to fulfill export contracts [4].

In the context of post-war recovery of Ukraine’s rural areas, strategic instruments for stimulating the development of small and medium-sized enterprises (SMEs) acquire critical importance both for ensuring economic stabilization and for the long-term transformation of regional economies. Effective support for entrepreneurship under such conditions must be based on a systemic and multi-level approach that integrates financial, institutional, fiscal, informational, consultative, and educational levers. Given the extensive destruction of infrastructure, loss of sales markets, shortage of working capital, and a low level of institutional trust, the formation of a favorable entrepreneurial environment - one focused on restoring the basic economic functions of local communities - becomes particularly significant.

A key instrument for promoting SME development is the establishment of specialized financial mechanisms, particularly agro-financial public-private partnership (PPP) funds capable of mobilizing resources from the state budget, the banking sector, and international donors. The introduction of credit guarantee schemes and interest rate subsidies helps to mitigate financial risks for both entrepreneurs and financial institutions - an especially relevant measure under post-war instability. Furthermore, the application of microcredit, leasing, and grant-based support mechanisms is advisable to facilitate the launch and scaling of businesses in rural areas, particularly in priority sectors such as agro-processing, logistics, construction, green energy, and IT solutions for farmers.

Another important area is tax incentives. The application of tax relief measures for enterprises operating in affected regions - including the introduction of special tax regimes or tax holidays - can significantly reduce the costs associated with business startup and expansion. Regulatory deregulation is also crucial; simplifying procedures for registration, licensing, and reporting helps alleviate administrative burdens on SMEs. The strategic support of knowledge and competencies plays a vital role. The establishment of regional entrepreneurship support centers, business incubators, educational programs, and training initiatives - particularly targeting internally displaced persons and veterans - enhances the capacity of local businesses to adapt to new conditions. Complementing these efforts are digital platforms providing access to government services, funding sources, educational resources, and advisory support.

Finally, the strategic integration of efforts among the state, local governments, business associations, and international organizations is essential. Such synergy enables the creation of an effective institutional architecture for SME support, grounded in long-term goals of sustainable development, inclusive growth, and territorial cohesion. The priority should be to build an ecosystem in which entrepreneurship serves not only as a tool for economic recovery but also as the foundation of a new development model for rural communities in the post-conflict period.

Thus, strategic instruments for stimulating small and medium-sized enterprises in the post-war period should integrate financial support, tax incentives, educational initiatives, and institutional partnerships into a unified and comprehensive policy capable of ensuring not only recovery but also the sustainable development of Ukraine's rural areas.

Conclusions.

As a result of the conducted research, it has been established that small and medium-sized enterprises (SMEs) are a key component in the system of post-war socio-economic recovery of rural areas. Their flexibility, capacity to swiftly adapt to changing conditions, and deep integration into local economies enable them to respond promptly to the challenges of the post-conflict period. SMEs contribute to employment, reduce social tensions, and strengthen the economic self-sufficiency of communities. The theoretical and methodological foundations for analyzing the role of SMEs in recovery encompass a wide range of approaches—from concepts of endogenous development and institutional economics to practical models of recovery economics. This allows for a comprehensive assessment of both the potential and the risks associated with entrepreneurship in the context of post-conflict recovery. The current state and challenges facing SMEs in rural regions of Ukraine affected by military actions highlight the urgent need for large-scale, targeted, and long-term support mechanisms. Strategic instruments for promoting SME development in the post-war period should include financial tools (such as funds, credit-guarantee schemes, and grants), tax incentives, institutional partnership platforms, as well as education and consulting systems for entrepreneurs. The effectiveness of these measures depends on coordination among different levels of government, transparency of procedures, accessibility of resources, and a strong focus on the needs of local economies. Thus, the development of small and medium-sized enterprises should become not only one of the tools for post-war reconstruction, but also a central pillar of the strategy for building a sustainable, inclusive, and innovation-oriented future for rural Ukraine.

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