


Impact of the War on Entrepreneurship in Ukraine*

Wpływ wojny na przedsiębiorczość na Ukrainie

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Abstract: The study analyzes the transformations, challenges, and issues faced by Ukrainian entrepreneurs due to Russia's war against Ukraine. The work is based on a comparative analysis of survey results from Ukrainian entrepreneurs over the period of 2022–2023 regarding the problems and challenges they encounter. This allowed for identifying the directions of transformation of business problems and creating a map of the issues faced by Ukrainian entrepreneurs. Additionally, an aggregated ranking of the problems and challenges of Ukrainian businesses in 2023 was developed. This foundation enables the modeling of strategic development for the Ukrainian economy as a whole and strategic management for individual business entities.

Keywords: entrepreneurship, Ukraine, problems of entrepreneurship, impact of the war, map of the problems, aggregate rating of the problems

Streszczenie: Niniejsze opracowanie analizuje przemiany, wyzwania i kwestie, przed którymi stoją ukraińscy przedsiębiorcy w związku z wojną Rosji przeciwko Ukrainie. Praca bazuje na analizie porównawczej wyników badań ankietowych ukraińskich przedsiębiorców w latach 2022–2023 dotyczących bieżących problemów i wyzwań. Przeprowadzone badania pozwoliły określić kierunki transformacji problemów biznesowych i stworzyć mapę problemów, z którymi mierzą się ukraińscy przedsiębiorcy. Dodatkowo opracowano zbiorczy ranking problemów i wyzwań ukraińskich przedsiębiorstw w 2023 r. Podstawa ta umożliwia modelowanie rozwoju strategicznego dla ukraińskiej gospodarki jako całości i zarządzania strategicznego dla poszczególnych podmiotów gospodarczych.

Słowa kluczowe: przedsiębiorczość, Ukraina, problemy przedsiębiorczości, wpływ wojny, mapa problemów, zbiorcza ocena problemów

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Our world is changing rapidly and relentlessly, leading to unforeseeable challenges in all aspects of human life, including entrepreneurial structures. War has become the catalyst that shattered the existing world and rules for businesspeople, primarily in Ukraine but undoubtedly affecting the entire entrepreneurial world. Certainly, the large-scale invasion of Russia into the territory of Ukraine on February 24, 2022, was a shock to the civilized world. But now, nearly two years have passed since the start of the war, which unquestionably has transformed the Ukrainian business landscape, and not only the Ukrainian one.

Studying and analyzing the transformations, challenges, and problems faced by Ukrainian entrepreneurs is unquestionably an essential task that allows for the groundwork to model the strategic development of both the Ukrainian economy as a whole and strategic management for individual entrepreneurial entities. It is customary to consider risks and challenges from both short-term and long-term perspectives.

Ukrainian researchers are conducting studies on the transformation of the Ukrainian economy as a whole and entrepreneurship in particular under the influence of the war. All the studies can be conditionally divided into several groups.

The first group of researchers focuses on the general trends in business development and business activity (Bilovska, Maistro 2023; Chernysh, Kuryliuk, Kolo-miiets, Tomchuk-Ponomarenko, Savchuk 2023; Melnyk 2023; Murovana 2023; Redziuk 2022). Their works emphasize the assessment of the current state, which is difficult to describe due to the lack of necessary statistical information for thorough analysis. They also identify effective methods of support from the state and government, including tax, customs, and financial support, deregulation, local support (particularly in aiding relocation), informational support, sector-specific support, and a list of state deregulatory measures to support entrepreneurial activity in Ukraine under martial law. It is noted that financial support is the most effective. Additionally, proposals and guidelines at the strategic level regarding the prospective development of the Ukrainian economy are offered.

The second group of researchers focuses on analyzing issues both at the level of the economy (Moskalenko 2022), as a whole and on the problems of conducting business in Ukraine during the war (Kazak, Sulyma 2023). They also highlight the stages of transformation of Ukrainian business over the year of the war.

Furthermore, we propose to distinguish several stages that Ukrainian businesses have already gone through or are going through, depending on the state of the war (*Stan ta potreby biznesu v umovakh viiny: rezultaty opytuvannia v serpni 2023* [n.d.]). Thus, the analysis of risks and challenges for entrepreneurship in

Ukraine should be viewed from short-term and long-term perspectives and divided into periods: before the war, the beginning of the war, the transition of the war into a protracted phase, and the end of the war (post-war reconstruction).

1. Transformations and problems of entrepreneurship in Ukraine

First and foremost, let's focus on the regional transformation of Ukraine's economy. If we analyze the contribution of each region to the country's GDP, over 33% of it comes from seven eastern regions. Moreover, each of these regions contributes over 5%. Consequently, before the war in Ukraine, there was a significant asymmetry in the industrial development of regions, with 154 major enterprises out of 342 located in the east. The total number of enterprises exceeded 250,000 units, with over 100,000 units located in the eastern part of the country (Sukhonos, Dymchenko, Smachylo, Rudachenko, Tararuiev 2023). This indicates that during the ongoing military aggression, these regions are experiencing the most significant losses. Accordingly, there is currently a transformation of industrial and economic development in these regions through the relocation of businesses from the east of Ukraine to the west.

In the one and a half years since the start of the major war, as of the end of September, 840 companies in Ukraine have relocated to safer regions under the business relocation program (Opendatabot 2023). Of these, 667 are already operational in their new locations. And these are just the businesses that have utilized the government support program. The majority of businesses have chosen the Zakarpattia and Lviv regions for their new workplaces, with 120 and 199 companies respectively. Chernivtsi region, with 78 relocations, and Ivano-Frankivsk region, with 70, have also become popular choices among entrepreneurs for safe regions. On the other hand, the Odessa region was the least popular with only 3 relocated businesses, followed by the Zhytomyr region with 6 companies, and the Kirovohrad region with 17 (Opendatabot 2023).

Often, the relocation of enterprises to western and central regions is hindered by the lack of conditions for establishing production due to certain infrastructure constraints, dependency on raw material resources, supply chains, and logistical issues. Consequently, as we can see, a significant number of displaced enterprises have been accommodated in the Dnipropetrovsk region (65 enterprises). This can be explained by several reasons:

The Dnipropetrovsk region is industrially developed, which creates favorable conditions for the relocation of enterprises with similar industrial characteristics; this region is safer than border areas, which are adjacent to industrially developed regions such as Kharkiv, Donetsk, and Luhansk, ensuring the speed of relocation; and the eastern regions, where the businesses are represented by industrial enterprises that often, being located in different regions, created a logical supply chain and production and even belonged to the same owner.

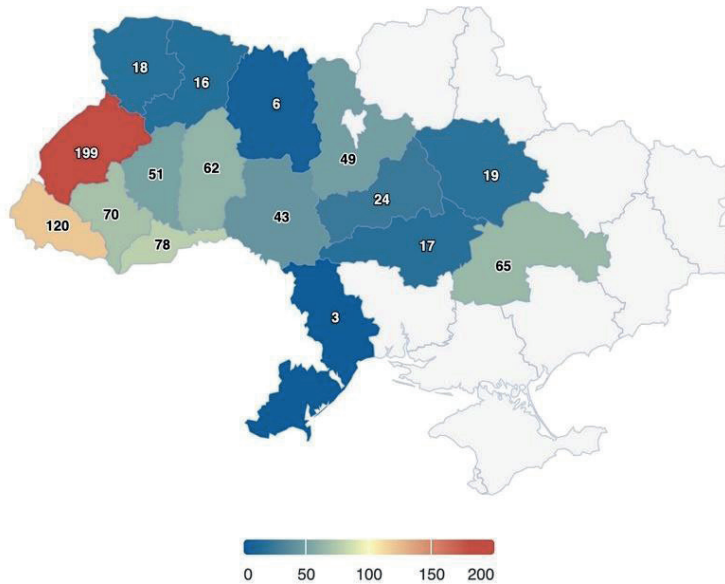


Figure 1. Relocated enterprises in Ukraine according to Opendatabot as of October 2023
Source: Opendatabot 2023.

An important aspect of the process of restoring entrepreneurial activity is the identification of problems, prioritizing them, and developing ways to address them. The current state of entrepreneurship in Ukraine, its status, needs, challenges, and development prospects, is characterized by rapid changes and complete uncertainty. The lack of timely, reliable statistical information, which would ensure the accuracy of decision-making at all levels of economic management, complicates the analysis in this field. Therefore, surveys become the primary information source, among which three main types can be distinguished:

1. Research on the state and needs of businesses in Ukraine (Dia.Business, Office of Entrepreneurship and Export Development, Advanter Group) – (1) (*Stan ta potreby biznesu v umovakh viiny* 12.09.2023);

2. Ukrainian Business During the War (Public Organization “Institute of Economic Research and Political Consultations”) – (2) (*Ukrainskyi biznes pid chas viiny*, veresen 2023);
3. Monthly Surveys of Ukrainian Enterprises (National Bank of Ukraine) – (3) (*Shchomisiachni opytuvannia pidprijemstvo Ukrainy*, zhovten 2023).

Based on the first survey – Research on the state and needs of businesses in Ukraine, let’s conduct a comparative analysis of the problems Ukrainian businesses faced in September 2022 and August 2023 (Figure 2). Such an analysis will allow us to identify the changes in problems and their significance from the beginning of the war (2022) to the point where the war had entered a protracted phase.

Study of the state and needs of business in Ukraine, September 2022	Study of the state and needs of business in Ukraine, August 2023
<p>Lack of a sufficient number of solvent customers in the domestic market – 64.0%</p> <p>Lack of sufficient capital – 51.2%</p> <p>Unpredictability of the development of the situation in Ukraine and the domestic market – 37.7%</p> <p>Unforeseen actions of the state that can worsen the state of business – 34.8%</p> <p>Unavailability of credit funds, including 5–7–9, credits 0% – 33.0%</p> <p>High taxes and fees – 27.3%</p> <p>Unavailability of grant programs announced by the government – 21.7%</p> <p>Customers (or retail networks) are not paid on time (or in principle) – 18.8%</p> <p>Obstacles from regulatory and/or fiscal authorities – 18.0%</p> <p>Lack of a sufficient number of qualified workers – 17.4%</p> <p>Dumping of competitors, overall decrease in market profitability – 16.0%</p> <p>Unfair competition – 15.1%</p> <p>Inefficient, long, expensive logistics – 13.1%</p>	<p>Unpredictability of the development of the situation in Ukraine and the domestic market – 56.2%</p> <p>Unforeseen actions of the state that can worsen the state of business – 47.7%</p> <p>Lack of a sufficient number of solvent customers in the domestic market – 47.6%</p> <p>Lack of a sufficient number of qualified workers – 34.3%</p> <p>Lack of sufficient capital – 30.7%</p> <p>Obstacles from regulatory and/or fiscal authorities – 30.1%</p> <p>High taxes and fees – 27.9%</p> <p>Dumping of competitors, overall decrease in market profitability – 25.2%</p> <p>Unavailability of credit funds, including 5–7–9, credits 0% – 20.2%</p> <p>Fatigue of the owner and/or management staff – 20.0%</p> <p>Lack of necessary support at the level of Ukraine – 16.9%</p> <p>Unavailability of grant programs announced by the government – 15.9%</p> <p>Unfair competition – 15.6%</p> <p>Customers (or retail networks) are not paid on time (or in principle) – 13.7%</p>

Figure 2. Comparative analysis of problems faced by Ukrainian business in 2022–2023
 Source: developed by the author on the basis of *Stan ta potreby biznesu v umovakh viiny: rezultaty opytuvannia u veresni 2022* [n.d.]; *Stan ta potreby biznesu v umovakh viiny: rezultaty opytuvannia v serpni 2023* [n.d.].

In Figure 2, identical problems are highlighted with the same colors, allowing for a visual emphasis on the changes in the priority of problems for Ukrainian entrepreneurs. Firstly, it should be noted that the top five problems for small and medium-sized businesses hardly changed in 2023 compared to 2022. What changed was their order – challenges related to uncertainty (inability to predict the situation and unpredictable actions of the authorities) take the top positions, preventing entrepreneurs from developing strategic business plans. On the third place are issues with sales in the domestic market, which are caused by the low purchasing power of the population. According to a recent World Bank report, the poverty rate in Ukraine in 2022 increased from 5.5% to 24.2%. This has resulted in an additional 7.1 million people falling below the poverty line (*Maizhe kozhen chetvortyi ukrainets opynyvsia za mezheiu bidnosti – Svitovyi bank 2023* [n.d.]). The absence of sufficient capital now ranks fifth, while the fourth position is occupied by the problem related to the lack of an adequate number of skilled workers.

Summarizing the change in the top problems for Ukrainian entrepreneurship in September 2022 – August 2023 based on surveys (1), it is presented in Table 1.

Table 1. The change in the top problems for Ukrainian entrepreneurship in September 2022 – August 2023 based on surveys (1)

Name of the problem	August 2023	September 2022	Change of position
The unpredictability of the development of the situation in Ukraine and the domestic market	56.2%	37.7%	+3↑
Unforeseen actions of the state that can worsen the state of business	47.7%	34.8%	+2↑
Lack of a sufficient number of solvent customers in the domestic market	47.6%	64.0%	-2↓
Lack of a sufficient number of qualified workers	34.3%	17.4%	+6↑
Lack of sufficient capital	30.7%	51.2%	-3↓
Unavailability of credit funds, including 5-7-9 loans and 0% loans	20.2%	33.0%	-4↓

Source: developed by the author based on *Stan ta potreby biznesu v umovakh viiny: rezultaty opytuvannia u veresni 2022* [n.d.]; *Stan ta potreby biznesu v umovakh viiny: rezultaty opytuvannia v serpni 2023* [n.d.].

As we can see in Table 1, the significance of problems related to the unpredictability of the situation in Ukraine and the domestic market, as well as unpredictable government actions, is increasing for Ukrainian entrepreneurs. Two years of turbulent conditions lead business leaders to search for an environment with lower levels of unpredictability than in Ukraine. This, coupled with the reduction in the number of financially capable buyers in the domestic market, leads Ukrainian businesses to enter foreign markets and promotes their scaling. The problem of a lack of skilled personnel with the necessary qualifications significantly increases (+6 positions in 2023 compared to 2022).

A comparative analysis of the problems faced by Ukrainian businesses in September 2022 and 2023, according to the research conducted by the Civil Organization Institute of Economic Research and Political Consultations, is presented in Figure 3.

Ukrainian business during the war, September 2022	Ukrainian business during the war, September 2023
<p>Increase in the price of raw materials and materials – 63.0%</p> <p>Difficulties with logistics (Difficulties with the transportation of raw materials/goods through the territory of Ukraine) – 41.0%</p> <p>Lack of working capital – 37.0%</p> <p>Disruption of supply chains – 33.0%</p> <p>Decrease in demand for products/services – 30.0%</p> <p>State regulation of exchange rates – 26.0%</p> <p>Dangerous to work – 18.0%</p> <p>Lack of labor due to conscription and/or departure of employees – 15.0%</p> <p>Corruption – 9.0%</p> <p>Lack of fuel – 8.0%</p>	<p>Increase in the price of raw materials and materials – 46.0%</p> <p>Dangerous to work – 40.0%</p> <p>Difficulties with logistics (Difficulties with the transportation of raw materials/goods through the territory of Ukraine) – 37.0%</p> <p>Lack of labor due to conscription and/or departure of employees – 37.0%</p> <p>Decrease in demand for products/services – 33.0%</p> <p>Interruptions with electricity, water or heat supply – 32.0%</p> <p>Disruption of supply chains – 30.0%</p> <p>Lack of working capital – 18.0%</p> <p>Lack of fuel – 12.0%</p> <p>State regulation of exchange rates – 11.0%</p> <p>Damage to property or goods as a result of war – 7.0%</p> <p>Blocking of tax invoices – 7.0%</p> <p>Corruption – 6.0%</p>

Figure 3. Comparative analysis of problems faced by Ukrainian business in 2022–2023
Source: *Ukrainskyi biznes pid chas viiny, veresen 2023; Ukrainskyi biznes pid chas viiny, veresen 2022.*

As we can observe from Figure 3, there have been significant changes in the top five problems according to the surveys in 2022–2023. In 2023, the problem of rising prices for raw materials and materials continues to rank first, just as it did in 2022. In the second position in 2023, there is a challenge related to security factors. Logistic difficulties take the third position in 2023, and a decrease in demand for products remains in the fifth position (unchanged compared to 2022). The fourth position is now occupied by the problem of a shortage of workforce due to conscription and/or emigration of employees, accounting for 37.0%, which was in the eighth position in 2022 (15.0%).

The change in the top problems for Ukrainian entrepreneurship in September 2022 – September 2023, based on surveys (2), is presented in Table 2.

Table 2. Change of the top problems of Ukrainian entrepreneurship in September 2022 – September 2023 according to surveys (2)

Name of the problem	September 2023	September 2022	Change of position
Rising prices for raw materials and materials	46%	63%	0
Dangerous to work	40%	-	-
Difficulties with logistics (Difficulties with the transportation of raw materials/goods through the territory of Ukraine)	37%	41%	-1↓
Lack of workforce due to conscription and/or employee emigration	37%	15%	+4↑
Reduced demand for products/services	33%	30%	0
Disruptions in electricity, water, or heating supply	32%	-	-
Supply chain disruptions	30%	33%	-3↓
Lack of working capital	18%	37%	-5↓

Source: developed by the author based on *Ukrainskyi biznes pid chas viiny, veresen 2023*; *Ukrainskyi biznes pid chas viiny, veresen 2022*.

As Table 2 demonstrates, the position of the problem regarding the price of raw materials and materials remains unchanged, and there is a significant increase in the issue related to the shortage of workforce (+4 positions).

Logistic and supply-related problems have significantly decreased, as well as issues related to a shortage of working capital.

A comparative analysis of the problems faced by Ukrainian enterprises based on the National Bank of Ukraine (NBU) survey results is presented in Figure 4.

Business expectations of enterprises of Ukraine (NBU) III quarter 2022	Business expectations of enterprises of Ukraine (NBU) III quarter 2023
<p>Military operations and their consequences – 83.6%</p> <p>Too high prices for raw materials and materials – 43.1%</p> <p>Insufficient demand – 38.5%</p> <p>Too high prices for energy carriers – 37.7%</p> <p>Significant fluctuations of the hryvnia exchange rate against other currencies – 37.5%</p> <p>Lack of working capital – 27.4%</p> <p>Lack of qualified workers – 15.3%</p> <p>Limited production capacity – 13.7%</p> <p>Excessive tax pressure – 12.3%</p> <p>Limited possibilities of obtaining a loan – 11.2%</p> <p>Excessive regulatory pressure – 8.4%</p> <p>Corruption – 3.3%</p>	<p>Military operations and their consequences – 79.9%</p> <p>Too high prices for raw materials and materials – 35.6%</p> <p>Insufficient demand – 34.5%</p> <p>Too high prices for energy carriers – 33.7%</p> <p>Lack of qualified workers – 25.6%</p> <p>Lack of working capital – 23.6%</p> <p>Excessive tax pressure – 21.5%</p> <p>Significant fluctuations of the hryvnia exchange rate against other currencies – 13.8%</p> <p>Limited production capacity – 13.7%</p> <p>Excessive regulatory pressure – 11.7%</p> <p>Limited possibilities of obtaining a loan – 10.4%</p> <p>Corruption – 10.3%</p>

Figure 4. Comparative analysis of problems faced by Ukrainian business in 2022–2023
Source: *Shchomisiachni opytuvannia pidprijemstvo Ukrainy*, zhovten 2023.

As we can see from Figure 4, the top problems have remained largely unchanged. Entrepreneurs in both 2022 and 2023 are concerned about the ongoing warfare and its consequences, excessively high prices for raw materials and materials, insufficient demand, and high energy prices. The significance of the problem of a shortage of skilled personnel has increased, moving from the seventh to the fifth position. This underscores the depth of this issue and its strategic nature.

The change in the top problems for Ukrainian entrepreneurship in the third quarter of 2022 to the third quarter of 2023, based on surveys (3), is presented in Table 3.

Table 3. Changes in the top problems of Ukrainian entrepreneurship in the III quarter 2022 – III quarter 2023 by survey (3)

Name of the problem	III quarter 2023	III quarter 2022	Change of position
Military operations and their consequences	79.9%	83.6%	0
Excessively high prices for raw materials and materials	35.6%	43.1%	0
Insufficient demand	34.5%	38.5%	0
Excessively high energy prices	33.7%	37.7%	0
Lack of qualified workers	25.6%	15.3%	+2↑

Source: developed by the author based on *Shchomisiachni opytuvannia pidprijemstv Ukrainy*, zhovten 2023.

From Table 3, we can see that the issue of a shortage of qualified personnel is becoming more prominent, consistent with previous surveys. All other problems have maintained their positions. Entrepreneurs remain most concerned about the ongoing warfare and its consequences, which contribute to unpredictability and uncertainty across all sectors.

Thus, we can create a map of the problems and challenges faced by entrepreneurs from Ukraine in 2023 (Table 4).

Table 4. Map of the problems of Ukrainian entrepreneurship in 2023

Dia.Business, Office of Entrepreneurship and Export Development, Advanter Group (1) August 2023	Ukrainian Business During the War September 2023 (2)	Business expectations of Ukrainian enterprises (NBU) for the third quarter of 2023 (increase in production volumes) (3)
1. Unpredictability of the development of the situation in Ukraine and the domestic market – 56.2%	1. Rising prices for raw materials and materials – 46.0%	1. Military actions and their consequences – 79.9%
2. Unforeseen actions of the state that can worsen the state of business – 47.7%	2. Dangerous to work – 40.0%	2. Prices for raw materials and materials are too high – 35.6%
3. Lack of a sufficient number of solvent customers in the domestic market – 47.6%	3. Difficulties with logistics (Difficulties with the transportation of raw materials/goods through the territory of Ukraine) – 37.0%	3. Insufficient demand – 34.5%
4. Lack of sufficient number of qualified workers – 34.3%	4. Lack of labor due to conscription and/or departure of employees – 37.0%	4. Too high energy prices – 33.7%

5. Lack of sufficient capital – 30.7%	5. Decrease in demand for products/services – 33.0%	5. Lack of qualified workers – 25.6%
6. Obstacles from regulatory and/or fiscal authorities – 30.1%	6. Interruptions with electricity, water, or heat supply – 32.0%	6. Lack of working capital – 23.6%

Source: developed by the author based on *Ukrainskyi biznes pid chas viiny*, veresen 2023; *Shchomisiachni opytuvannia pidpriemstv Ukrainy*, zhovten 2023; *Stan ta potreby biznesu v umovakh viiny: rezultaty opytuvannia v serpni 2023* [n.d.].

2. Aggregate rating of the problems of Ukrainian entrepreneurship in 2023

Based on the data from Table 4, we can identify problems that are highlighted in various surveys but share a similar nature. This will make it possible to build an aggregate rating of the problems of Ukrainian entrepreneurship in 2023. We present it in the form of Table 5.

Table 5. Aggregate rating of the problems of Ukrainian entrepreneurship in 2023

Number	Problems	Brief description of the problem
1.	Military actions and their consequences	Military actions, in fact, the war of Russia against Ukraine, have created a set of challenges that prevent businesses from operating normally and lead to unpredictability and uncertainty, the possibility of asset loss through occupation or destruction, and an unprecedented threat to the lives of employees
2.	The unpredictability of the situation in Ukraine and on the national markets	This problem is to a greater extent provoked by Russia's war against Ukraine (1), as well as other unforeseen actions that will affect the state of national markets
3.	Unforeseen actions of the state that can worsen the state of business	A separate problem is the actions of the state, which are difficult to predict and which provoke unpredictability and uncertainty for business
4.	Rising prices for raw materials and materials	The increase in prices, which is caused by inflationary processes, disruption of supply chains
5.	Reduction of demand in the domestic market	Reduction in demand for various types of products in the domestic market
6.	Lack of staff	There is a shortage of workers in various industries with different levels of qualification in all regions of the country
7.	Lack of capital (financing)	Lack of capital, financing for fixed and current assets due to the lack of own and difficult availability of the resources involved

Source: developed by the author.

Delving deeper into the top issues identified based on aggregated survey results, it is noted that the most significant is Russia's war against Ukraine, which alters the conditions for conducting business. Depending on the region in Ukraine, this problem can have varying manifestations and impacts on business. Generally, the regions of Ukraine can be divided into four categories: "partially occupied regions" (areas of active combat), "frontline regions" (under threat of invasion), "support regions" (playing a crucial role in logistics for defense and humanitarian cargos), and "safe regions" (regions that are relatively safe for business activities with minimal risk of invasion; Epravda [n.d.]). Therefore, the manifestations for entrepreneurs will vary - from the threat of asset loss due to occupation or destruction, unprecedented threats to employees' lives, and landmining, to disruptions in electricity, water, or heating supplies caused by ongoing warfare, jeopardizing stable operations.

The danger of operating varies depending on the region, with regions bordering temporarily occupied territories and the Russian Federation being the most affected. Specifically regions like Kherson and Kharkiv. For instance, a missile can reach Kharkiv in less than 1-2 minutes, depending on the type of missile, leaving no room for escape. The recent tragic incident involving the New Post terminal, where 7 people died and 22 were injured, underscores these security concerns.

The second problem is the uncertainty associated with military actions and their consequences, which prevents businesses from predicting their actions and the situation in the domestic market. It is difficult to develop a strategy in conditions of uncertainty within Ukraine, but it is easier to formulate a strategic vision of business scaling in foreign markets. Particularly, actions by neighboring countries (such as imposing trade restrictions on Ukraine, blocking, and closing borders) will also impact the domestic market. Additionally, demographic factors, which are difficult to predict due to natural and migratory movements, introduce an element of uncertainty for businesses regarding market conditions. The rapid change in demand for various types of goods due to the situation in the country - from generators and charging stations to long-lasting food products and clothing with elements expressing national identity - further complicates business planning.

Another aspect that increases uncertainty and is highlighted as problem number 3 is the unpredictable actions of the state that can worsen the business environment (47.7%). This is manifested by obstacles from regulatory and fiscal authorities (30.1%), high taxes and fees (27.9%), and lack of

necessary support at the national level (16.9%). Ukrainian entrepreneurs express distrust towards government actions due to the adoption of strategically important documents regarding the formation of the business climate in Ukraine. In particular, the National Revenue Strategy of Ukraine is a roadmap for reforming the tax and customs systems, as well as improving tax and customs administration procedures, which are necessary to meet fiscal needs in the medium term. It was developed without involving a broad range of entrepreneurs, and its published main provisions sparked vigorous discussion and outrage. Such opaque actions do not foster trust between business and government. Moreover, ongoing corruption scandals and reports of unplanned, and sometimes illegal, searches and inspections at the offices of large companies negatively affect trust in management decisions and complicate planning, especially strategic planning.

The next challenge identified by Ukrainian entrepreneurs is the rising cost of raw materials and materials. This situation is associated with both inflationary processes and significant transformations that have occurred in many industries, including supply chain disruptions, changing suppliers, and logistical issues. According to the survey (2), where this issue has topped the rankings for two years, there have been changes in the percentages of respondents for whom this issue is relevant. We see a reduction from 63% to 46%, which is explained both by entrepreneurs' adaptation to rising prices and the establishment of supply chains, as well as the emergence of other, more significant problems.

The next problem, which was present both in 2022 and 2023, is related to insufficient demand in the Ukrainian market due to a lack of sufficiently solvent customers in the domestic market – 47.6%. The reasons for this include the reduction in the territory of Ukraine due to occupation, a decrease in the population due to migration and occupation, as well as the purchasing power of the population due to a reduction in income levels.

As a result, Ukrainian entrepreneurs have no choice but to enter external markets, including the Polish market. The Polish government has created favorable conditions for initiating and conducting business for Ukrainians who found refuge in Poland due to the large-scale Russian invasion of Ukraine. These conditions are regulated by the Law of March 12, 2022, "On Assistance to Citizens of Ukraine in Connection with the Armed Conflict on the Territory of Ukraine" (Ustawa 2022/583). Previously, to open a business, Ukrainians had to obtain a permanent residence card or be a student – now only a passport and Pesel (identification code) are required (Buhaienko

2022). Thanks to this, in 2022, Ukrainians opened about 16,000 individual enterprises in Poland, and in the first half of 2023, there were almost 14,000, almost every tenth company created in Poland was Ukrainian, reports the Polish Economic Institute (Parsad 2023).

At the same time, Ukrainian entrepreneurs in Poland face a large number of challenges and problems, which are mentioned in the report of the Polish Economic Institute (Dymchenko, Smachylo, Tararuiev, Rudachenko 2023; Parsad 2023). Specifically: lack of experience in conducting business in Poland; insufficient financial resources; high costs associated with company operations; difficulties in recruiting employees with the right skills; strong competition in the industry; difficulties in accessing funds in Ukrainian banks; challenges in obtaining external financing; problems due to poor knowledge of the Polish language; difficulties in finding premises for business operations; weak demand for goods/services; challenges in establishing business contacts; absence of products, semi-finished products, or materials.

Special attention should be paid to a challenge that became significantly more relevant in 2023 compared to 2022 – the issue of workforce shortages. While this problem didn't make it to the top five problems in various surveys in the previous year, it now occupies the fourth or fifth position in 2023. The growing challenge of workforce availability is due to factors such as emigration, mortality, mobilization, injuries, and the departure of young people for education abroad. It's worth noting that this challenge is expected to continue growing in the long-term perspective, especially due to the loss of young talent. However, during the surveys, respondents have expressed their willingness to return.

In summary, the workforce shortage is becoming a more pressing issue for Ukrainian businesses, and addressing this challenge will be crucial for sustainable economic growth. Particularly, based on the research results (Centre for Economic Strategy [n.d.]), 49.9% of respondents in Poland definitely plan to return; 24.5% of respondents are more likely to plan to return; 15.7% – it is difficult to say; 8.8% – rather they do not plan; 1.1% definitely do not plan. At the same time, older people are much more likely to return than younger Ukrainians. This may be due to the fact that it is more difficult for older people to adapt to life abroad.

At the same time, the dynamics of such surveys indicate that the percentage of those willing to return gradually decreases, and uncertainty arises for many people. People adapt to their current situations, and for

many, there is simply no place to return to as long as the war continues. It becomes a closed circle – as long as the war continues, there is nowhere to return, and the longer it lasts, the less likely it is that people will return.

During my internship under the Ivan Vygovsky Award, I conducted research on the entrepreneurial intentions of Ukrainian students. One of the survey questions was indeed about returning to Ukraine. Ukrainian students studying in Polish universities in the field of “Management” or related fields predominantly lack confidence in returning to Ukraine (44.12%), have not made future plans – 11.76%, and do not plan to return – 8.82%. This accounts for over 60.0% collectively. Meanwhile, only 35.29% express a desire to return to Ukraine after their studies. This confirms the trend seen in surveys of Ukrainian refugees regarding their future intentions (*Entrepreneurial Intentions of Students from Ukraine 2023*).

The entrepreneurial intentions of Ukrainian students are present in 38.24% of the respondents, which is significantly lower than the results of similar studies conducted elsewhere (73.0% prefer entrepreneurship over employment). This figure is more in line with the inclination towards entrepreneurship among European students (39.0%), indicating a certain level of assimilation and acceptance of the European lifestyle (*Entrepreneurial Intentions of Students from Ukraine 2023*). The shortage of personnel is also leading to changes in how companies operate – there is an expanding practice of remote work, and companies are trying to relocate valuable employees along with their families, providing them with living conditions. Additionally, there is a negative psychological impact on employees and management. Moreover, the level of inclusivity among Ukrainian employers is gradually changing. There arises a need for mutual adaptation of employees returning from the war (veterans) to work and civilians.

The next challenge is financial, including a lack of working capital or insufficient capital in general. Access to affordable financial resources has never been easy for businesses in Ukraine, with interest rates on loans consistently exceeding 20%. Before the war, there was a preferential financing program at 5-7-9%, which was reinstated after the war. Unfortunately, it is not available throughout Ukraine primarily due to security issues. This is reflected in the assessment of the unavailability of credit funds, including 5-7-9, by 20.2% of respondents. A similar situation exists with government grants – 15.9% of respondents confirm the unavailability of government grant programs that have been announced by the government. For example, in the Kharkiv region, while these programs are

technically applicable, security factors come into play when deciding on financing approval, which does not favor entrepreneurs.

To attract foreign investments to the country, the government has developed the Advantage Ukraine platform (Advantageukraine [n.d.]), which includes the most priority sectors and investment-attractive projects. This platform comprises more than 500 investment projects in ten economic sectors.

The most desirable form of investment for the country is Foreign Direct Investment (FDI), which is defined as “long-term investments of material resources by non-resident companies” (Minfin [n.d.]). FDI enables the implementation of large-scale projects in construction, reconstruction, and the adoption of new production and management technologies.

The war-related risks indeed present a significant obstacle to attracting foreign investments, as there are no guarantees that newly constructed objects will not be damaged during missile attacks, and investors may not have time to realize the expected returns on their investments. Therefore, the Ukrainian government is in negotiations with various international insurance agencies regarding the insurance of investments against war risks in Ukraine, which is a necessary precondition for attracting foreign investments (Smachylo, Dymchenko, Tararuiev 2023). The required amounts for recovery vary, with different estimates ranging from \$411 billion to \$750 billion USD (*Strakhuvannia investytsii vid voennykh ryzykiv v Ukraini* [n.d.]), and they continue to increase. This requires the involvement of international partners and the adaptation of legislation to new requirements. As a result of negotiations to attract insurance companies, the M10 Lviv Industrial Park project obtained insurance from the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, with which the Ukrainian government had been in negotiations for a long time. The insurance terms include coverage of war risks for 10 years with a guarantee of \$9.1 million USD (*Industrialnyy park u Lvovi otrymav strakhuvannya vid voennykh ryzykiv* [n.d.]).

Despite the war, entrepreneurship in Ukraine is continuing to develop, with the number of new entrepreneurs increasing. In the beginning of 2023, over 227,000 new entrepreneurs registered their businesses. The most popular sectors with demand for new businesses are retail and wholesale trade, as well as the provision of individual services.

The International Monetary Fund (IMF) expects Ukraine’s GDP to grow by 2% by the end of 2023, which is significantly different from the IMF’s April forecast for the year, which had a negative outlook of -3% for the war-affected country.

Conclusions

In summary, it can be said that Ukrainian businesses face numerous challenges and problems to which they quickly adapt. The research analyzed three main surveys conducted in Ukraine regarding the state of entrepreneurship, its needs, and the challenges entrepreneurs face. A comparative analysis of the change in problems in 2023 compared to 2022 was conducted, corresponding to the stages of the beginning of the war and the transition of the war into a protracted phase, which showed a shift in problem areas. The focus has shifted towards unpredictability and uncertainty, hindering businesses from forming development strategies and rendering activities inefficient. The prolonged nature of the war, as already characterized by the current state of military operations in Ukraine (unlike the past in 2022), prompts the revitalization of strategically oriented issues, including the shortage of personnel. This problem is increasing in all surveys and has its roots in the pre-war period.

A map of current problems for Ukrainian entrepreneurs in 2023 has been formed, summarizing a range of similar challenges.

Despite the war, entrepreneurship in Ukraine is developing – new businesses are being registered, existing ones are scaling, including on foreign markets, and production activities are adapting to the conditions of a state of war. This demonstrates the flexibility, resilience, and sustainability of Ukrainian businesses.

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