

**MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
UKRAINIAN-AMERICAN CONCORDIA UNIVERSITY**

Faculty of Management and Business
Department of International Economic Relations, Business & Management

Bachelor's Qualification Work

Role of SME in economic development

(based on Business Media Network case)

Bachelor student of the 4th year of study

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Abstract

This research reveals critical role of small and medium enterprises on overall economic activity. The work focuses on innovations, development, and social impact of SMEs. Through comparative analysis of the dynamic between the US and Ukraine, the study examines factors leading to successful outcomes and potential drawbacks as a result of challenges with economic conditions. Additionally, the study highlights different models and frameworks, which can support entrepreneurial activity and lead to positive feedback. By providing profound research, the work stresses the importance of national political and economic institutions, which result the entire ecosystem for business development. There are findings showing successful policies and strategies, that economies can use to adopt sustainable development and prosper economic growth. Finally, we found important key-takeaways for the future SME development with growth in sustainable industries and financial shift for Fin Tech services.

Keywords

SME, sustainable development, economic and political institutions, financial assistance, dynamics of growth, positive feedback.

Анотації

Це дослідження розкриває критичну роль малих і середніх підприємств у загальній економічній діяльності. Робота зосереджена на інноваціях, розвитку та соціальному впливі малих та середніх бізнесів. Шляхом порівняльного аналізу динаміки між США та Україною дослідження вивчає фактори, що призводять до успішних результатів, і потенційні недоліки в результаті викликів економічних умов. Крім того, дослідження висвітлює різні моделі та рамки, які можуть підтримувати підприємницьку діяльність і призводити до позитивного зворотного зв'язку. Забезпечуючи глибоке дослідження, робота підкреслює важливість національних політичних та економічних інституцій, які створюють усю екосистему для розвитку бізнесу. Існують висновки, які демонструють успішну політику та стратегії, які економіки можуть використовувати для прийняття сталого розвитку та успішного економічного зростання. Нарешті, ми знайшли важливі ключові висновки для майбутнього розвитку малих та середніх бізнесів із зростанням стійких галузей промисловості та фінансовими змінами для послуг Fin Tech.

Ключові слова

Малі та середні підприємства, сталий розвиток, економічні та політичні інститути, фінансова допомога, динаміка зростання, позитивні відгуки.

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APPROVED

Head of Department



Prof. Zharova L.V.

“ 10 ” May 20²⁴

TASK

FOR BACHELOR’S QUALIFICATION WORK OF STUDENT

Andrii Melnykov

(Name, Surname)

1. Topic of the bachelor’s qualification work

Role of SME in economic development

Supervisor of the bachelor’s qualification work **Buriak Glib, PhD,**

Which approved by Order of University from **“25” September 2023** №
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2. Deadline for bachelor's qualification work submission "**25**" *April 2024*.

3. Data-out to the bachelor's qualification work

World Bank SME statistics, national statistics from government agencies. OECD reports on SMEs, European Commission SME policy documents, U.S. Small Business Administration (SBA) reports. National SME development strategies, tax incentive regulations for SMEs. European Union's Small Business Act, various government policies on entrepreneurship and innovation. Case studies from McKinsey & Company on SMEs, World Bank's Doing Business reports.

4. Contents of the explanatory note (list of issues to be developed) The aim of this work is to analyze the world dynamics of SMEs, factors causing their development or slowdown, and to find out the best models economies may use to obtain higher living standards. The objective of this paper is to comprehensively analyze the role of Small and Medium-sized Enterprises (SMEs) in economic development, with a focus on understanding their impact, challenges, and opportunities. Tasks of the paper are following: Get acquainted with general definitions of SMEs, Define the SME sizes relying on official metrics, Go through statistical data to see the power of SME on economics, Find out common dynamic of SME development among countries, Compare American and Ukrainian type of policies, which lead to different results, Look at the successful examples of policies leading to economic growth, Depict the way in which countries will constantly multiply their economic success, Analyze the opinions of economic outsiders to see SMEs perspectives, Identify the ways to prevent challenges in future SMEs;

5. List of graphic material (with exact indication of any mandatory drawings)

Classifications of SMEs among different regions, such as the USA, Canada, Europe, and Asia. Diagrams indicating exploration of social living standards and entrepreneurial activities. Business Media Network showcases.

6. Date of issue of the assignment

Time Schedule

№	The title of the parts of the qualification paper (work)	Deadlines	Notes
1.	I part of bachelor thesis	10.12.2023	
2.	II part of bachelor thesis	27.02.2024	
3.	Introduction, conclusions, summary	25.04.2024	
4.	Pre-defense of the thesis	30.04.2024	

Student  (signature)

Supervisor  (signature)

Conclusions (general description of the work; participation in scientific conferences/ prepared scientific article; what grade does the student deserve):

We have revised the role of SMEs in economic development using different approaches and relying on scientific researches and statistics. Our exploration had three chapters, which included evaluation of SME' sizes and measurements in different realms and countries, common dynamics, and future perspective. Ukrainian project Business Media Network was a key-actor during the entire work, this is the company tightly connected to SMEs activity and their development.

Supervisor  (signature)

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INTRODUCTION

The Bachelor's Qualification Work is dedicated to the deep research about the importance of SMEs in economic development. I am going to refer to my working experience with the start-up, use scientific materials and statistics to show the common statement of SMEs in the world and their influence. The work is divided into three chapters with three sub-sections for each. The chapter 1 starts off with common definitions of SMEs, types, models, challenges, and influence on the economics. In the chapter 2 we will take a look at dynamics of enterprises among the globe. We will consider potential pitfalls most countries are trapping in, compare the economic statement between Ukraine and USA, and finally, find out the successful cases, which led economic outcomes. The last chapter reveals the future perspectives and developments of SMEs. The section includes exploration of business activity leading to positive economic feedback. We will consider different kinds of technologies and strategies leading to successful results. Finally, we will wrap the chapter up with identification of business' misconducts and governments' regulations, which lead to shortages of entrepreneurial activities. The Bachelor's Work is created to manifest the importance of SMEs for the world, relying on professional research.

The aim of this work is to analyze the world dynamics of SMEs, factors causing their development or slowdown, and to find out the best models economies may use to obtain higher living standards. Tasks of the paper are following:

- Get acquainted with general definitions of SMEs;
- Define the SME sizes relying on official metrics;
- Go through statistical data to see the power of SME on economics;
- Find out common dynamic of SME development among countries
- Compare American and Ukrainian type of policies, which lead to different

results;

- Look at the successful examples of policies leading to economic growth;
- Depict the way in which countries will constantly multiply their economic success;
- Analyze the opinions of economic outsiders to see SMEs perspectives;
- Identify the ways to prevent challenges in future SMEs;

The objective of this paper is to comprehensively analyze the role of Small and Medium-sized Enterprises (SMEs) in economic development, with a focus on understanding their impact, challenges, and opportunities. By examining factors influencing SME growth, exploring successful business models, and identifying policies and strategies that promote their development, this study aims to provide insights into the significance of SMEs in driving economic growth and to offer recommendations for fostering their sustainable advancement in both domestic and global contexts.

The relevance of this work stems from its contribution to understanding the pivotal role of SMEs in driving economic growth and fostering sustainable development. By comprehensively examining the factors influencing SME dynamics, identifying successful business models, and evaluating policies aimed at promoting SME growth, this research offers actionable insights for policymakers, business leaders, and stakeholders.

The entire work is based on case of Business Media Network that was a Ukrainian start-up, which became the powerful project. We are going to move back to that case during the work to compare the activity of this business in terms of total economic outcome. BMN is making valuable output for Ukrainian SMEs by providing them with investments, financial aid, and different types of services. The company is divided by several project, which are Mayors` Club, the Economy of Trust, and Business Media Network itself. Mayors` Club creates the linkage between Ukrainian cities and towns by getting mayors together and creating a certain economically highly developed community. The Economy of Trust fulfils the role of charity project and involves

international assets to support SMEs. There are professionals standing at the wheel of the projects, whose are entrepreneurs, IT-specialists, investors, and managers. The activity of BMN enables Ukrainian SMEs to appear and develop even during the war-time period and this is why we will consider the case of this business.

The way how small and medium enterprises are working defines the living standards in countries. Those states with *extractive* types of economies usually have less chances to build prosperity and democratic conditions. In contrast, there are *inclusive* types of economies, where the next forms of interaction are leading: cooperation, free trading, democracy, respect to human rights, and sustainable development [1]. Hence, the countries with inclusive types of institutions and trading policies usually give much more incentives and benefits for small and medium businesses to appear and develop. The main outcomes from those SMEs, which are launched are:

- New technologies and innovations;
- Appearance of competition and *creative destruction*;
- Financial turnover and dynamic flow of money;
- New working places;
- Enhancement of information exchange speed;
- The national and institutional power;

Small and medium enterprises define the quality of lives, GDP rate, and unemployment rate. Thus, it is important to mind types of economic conditions leading to proper work of SMEs. There is a great book that explains the importance of inclusive institutions that is *Why Nations Fail* by Daron Acemoglu [2].

It is important to extract the difference between SMEs and large corporations. There are certain criteria, which distinct small, medium, and large organizations. Large companies have bigger sizes in terms of finances, number of employees and departments. The journal of David B. Audretsch indicates the distinction between SME and larger

companies on different levels [3]. For example, big corporations may act on *macro level* with more governmental support and permissions, while it is can be times harder for small organizations. SME tend to be good at *micro* and *meso* level by dealing with domestic market. In comparison, large companies seems to have more physical and financial recourses to conduct international business with huge competitors. In the next chapter, we will look at distinctions between SMEs` sizes and metrics. Besides it, large companies give *huge share of economic performance* and overall GDP rate in the country. Large company in New Zealand that brings 3% of national GDP would take tenths of SMEs to cover this same rate. *Difference in labor capabilities* is another crucial factor that enables people to have more working places with a large corporation. *Investments in R&D* also vary depending of organization`s sizes. Big companies rather willing to invest in new technologies and innovative projects. SMEs have fixed amount of expenses and often it is hard for them to cover such types of programs. *Complementary effect between SMEs and large corporations* is the middle point where these types of business come across and enhance the dynamic of economy. This effect appears when small and middle organizations supply large companies with services and products. It also happens when corporations order scientific services from small labs or start-ups with professional labor but lack of physical resources. SMEs can also provide employment in those locations big companies would not decide to enter [4]. These are crucial points to know when comparing SME to large company – they all have different vectors and resources, so the purposes may also vary.

Small and middle-sized enterprises support economic growth and social balance. First, SMEs make contribution on individual level: individuals get an ability to make money and develop. People may bring their ideas and implement them with support of an organization. It also include competition and invention of new technologies. Those companies competitive will remain on the market, those which are not – exit it. Second, SMEs effect economic level. Small and medium companies create money-flow in the economy, make investments, and provide people with working places. Such outcomes are critical for the proper work of any economy and country [5].

It is important to support SMEs on the national level and create competitive conditions. Those countries with inclusive types of economies tend to give more incentives for launching start-ups. Countries with strict international relations and autocratic policies tend to scare entrepreneurs and businessmen to make a business. According to the World Bank statistics, there is difference between financing of SMEs depending from country to country [6]. Such differences directly affect the choice of people to immigrate and create a business in another country. For example, the level of financing in EU countries or North America is much bigger then comparing to East Europe. Quite talented engineer from Belarus rather move to Poland to launch its own mechanical service then remain in home-country. The same is for Ukrainian IT-specialists who move to US and Europe to attain career perspectives by using their professionalism. Countries have to look for the ways to launch new businesses as it brings bunch of benefits.

CHAPTER 1. THE FOUNDATIONS OF SME AND ITS IMPORTANCE FOR ECONOMIES

1.1 Definition of SMEs and historical background

SME are small and midsize enterprises which maintain revenues, assets and employees below a certain threshold [6]. There are different definitions among countries of what SME stands for. Usually, these are small companies, which provide economies with new innovations, working places, and money flow. SME exist in various industries: pharmaceutical, restaurants, bars, offices, shops, auto service centers, and so on. SMEs fulfil their certain role in the economic and social activities.

The history of SMEs can be divided on several stages, which predated to modern types of economies. Since it is hard to define the certain time in history when the concept of SME has appeared. This is because people always have used to make some activity in exchange of something. So let us consider the common historical time-frames to find out the way we came to modern definition of SME.

Pre-industrialization stage was the first form of economic activity and product exchange between people. This era comes up before nineteenth century, when individuals and rural societies cooperated with each other to exchange goods. Local communities managed to use the resources of the lands and thus use them for their survival and exchange. Farmers hold their barns and cattle to produce clothes and food. Blacksmiths purchased ore and steel to produce axes, swords, and other types of metal tools, and domestic necessities. Asian bargainers traded with Europe by selling spices, herbs, rice, cottons, and gun cottons. Scandinavian countries traded with Turkey by exchanging silk and slaves. The world linkages were constructed to enable people exchange what they had on what they needed. Such claimed those people who will labor fields, produce goods,

construct buildings and ships, and finally sell this all. This form of organization and management of human resources led to appearing to modern form of what we call business. The human development and the growth of economies was firmly tightened to areas nations lived in. Thus, communities had to manage their locations and have skills to survive. The best explanation of how old societies managed to labor their lands and operate by them was given in book “*Guns, Germs, and Steel: The Fates of Human Societies*” by Jared Diamond [7].

Proto industrialization was another period that lied in history between 16th and 19th century. It was an era of pre-capitalists regulations to buy and sell goods. During this time-frame countries had a model of the “family economy”. The crucial point here is that families were not governed to maximize their profits in order to create economic surplus. The shares of individual activities could not be shared with other people. There were no what we call “financial market” to exchange their assets and obtain income from successful investment in companies. People could hold only their share of the work, land, and activity. The difference between family economy concept and capitalism is that capitalists would not be limited only by their farming activity. Additionally, that was a time when people did not share their production as a value to make a surplus. Rural industry was a driving force in economic activity of proto-industrial period [8].

Early cooperative movements appeared 1759 – 1820 and formed the modern types of manufactures and organizations. The development of steam technology set up the new type of production and statement of organizations. Agricultural life transformed into new type of activity. New factories have appeared and received budgets to make new working places and to pay the employees their wages. Working activities were supervised and these activities became regular. New changes created the outlook of businesses. Of course, the dawn of industrialization faced opposition from side of merchants, priests, governments, and regular workers. Ordinary employees claimed the higher wages and improvements of working conditions. Another side of new flow of innovation is that people managed to produce sought after goods such as bread. England and Scotland used such conditions to make money on simple-to-produce products and set up their retail

market. Small cooperation appeared as a result of new technologies [9].

Industrial revolution pushed the global economic movement and development of new industries and organizations. The first and important outcome the world got from industrialization was availability. People could buy more products, clothes, and domestic tools as the production flied up. Industrialization took place in the Great Britain. The most demanded industry of this country was production of cotton. This material was easy to wash, factures could make clothes from them colorful, and new technologies came up as the demand was high [10]. The technological breakthrough involved people to cooperate and manage their working activities to produce goods. Some organizations started to collaborate with others. The number of working places was increasing. Countries begun to use new technologies and apply trading policies. European revolutions in the 19th century was good example of how countries shifted from monocracies to opened-free trading partners. This movement went from West Europe to East. Nations faced economic growths and the quality of human lives increased. Another example happened to Japan. When government decided to shift traditional form of institutions to modern and technological way of administration. All these events totally changes the way of economic statements. People were not just able to use all innovations as an instrument of improving life-quality, but they got an access to setting up their own businesses. It became possible to run small facilities and shops. Most of the talented individuals could apply their entrepreneurial skills into the proper work by managing the organization and leading the workers. Thus, we considered the main stages of how small and midsize organizations looked like at different time periods.

We also should touch the historical development of SMEs in different geographical realms. It will give us important answers of why some countries are developed and others are not.

Let us consider the development of SMEs in the United States. The business activities in America started back into 19th century. The country was still mainly agricultural country and farming business was thriving. Most of 85% of Americans were farmers. Usually they produced enough goods for feeding their families, and for trading

at home markets, Caribbean islands and Europe. Farmers were businessmen in outlook, but the lack of physical security was the important drawback. People looked for expanding of their holdings by buying new lands, building constructions, and fences. For example, farmers from Massachusetts traveled for 150 miles to find the good market to supply it with goods. By the end of 19th century, the demand for US corn and wheat reached its highest level in Europe. It led to finding the ways to expand farming facilities to sell more in Europe. The second phase of business growth was dated at the beginning of 20th century. The US has faced industrialization before the WWI. The level of competition and innovations took wings. The economy of America was totally transformed from small farms and towns to huge manufactures, companies, and big cities [11].

Now let us define the main factors, which led to SME development in Europe. As we mentioned earlier, Europe had a long history in formation of business concept. Industrial revolution brought the important impulse to technologies and mechanization. These circumstances had different outcomes for nations. For example, the average number of SMEs in France was quite bigger than in Germany in the beginning of 20th century. The reason was the big surplus for consumers` expenditures and exports. The national economy was pretty convenient to expend business practices. Germany, in contrast, had stronger positions in dealing with capital market than with labor. Germany faced its highest level of industrialization in the middle of 20th century. Europe faced the development of SMEs on the ground of strained relationships. Wars changed the demand and supply of production for different goods, guns, and technologies. Such situation resulted the increase in marketing competition and work of smaller facilities. *Urbanization* was another key-aspect to feed perspectives of SMEs. Countries were seeking for distribution systems improvement. Infrastructures needed more physical recourses to be repaired after the wars. Consequently, the demand for new services increased. These are crucial points, which define the SME origins in Europe.

Other important realm to consider in terms of SMEs is Asia. The appearance of SMEs in Asia take its roots in geopolitical relations. Japan, for instance, was the country

that grew economically with new political policies. The case of abolishing traditional statement of government and shifting it to inclusive. The type of Japanese economy has totally since WWII finished. The economy took capitalistic way of running the economy. The case of China is quite interesting in contrast. Despite the fact that Chinese government is communist-oriented, the international trading policies are opened. The growth of Chinese SMEs happened by the end of 20th century. The country introduced its expansion on other world markets like African and European. Malaysian and Singaporean economic statements were mostly based on capital markets. Singapore managed to develop its small and medium enterprises on the context of international investments, assets, and bonds. Thus, this is the main outcomes that Asian countries faced during their economic growth [12].

African realm is mostly dependent on trading of natural recourses and international support. The growth of SME in this realm is quite complexed topic due to the big rate of wars, diseases, inequalities, and corruption. Nevertheless, African companies receive international aids and a lot of businesses are coming in from China and the US. The integration in African realm has difficulties in SME development.

In this subsection we considered the main definitions of SMEs and historical integration across the globe. We have also extracted the main periods of how small and medium enterprises looked like and have been expanding. We found out industrial revolution as the main fuel of technology expansion and appearance of new working places. In further chapters we are going to consider the main reasons of why some regions and countries fail to set up proper SME activity.

1.2 Common types of SMEs

In this sub-section we will outline the definitions of SME across the countries and define the main types of small and medium businesses. As it has already been mentioned, the definition of SME may vary in regions. We will compare SME standards in Europe

to the US and to Asia. We are also going to consider small businesses in different spheres and industries.

There are general classification of requirements to assess the sizes of SME. It enables us to define whether the company related to micro, small, middle or to large business. These requirements vary from country to country as economic metrics are different. Some of the common requirements for assessment are:

- Employee turnover or the number of workers in a company;
- Turnover of the capital produced by a firm;
- Total balance sheet of the capital;
- Classification by a certain industry;

These metrics may differ depending on industry. For example, in the US small business in manufacturing would be considered the organization with 1000 employees on a board. In contrast, for wholesale trading this requirement lowers to 200 people working in average. Countries usually define the proportion of a company relying on these requirements.

This is time to look at European definition of SME and see what the requirements are needed to be counted as a small or middle business. According to the article “User Guide to the SME Definition” from European Commission, SMEs consist huge part of the economies [13]. In 2003, SMEs provided 85% of European people with working places. The policies of running the organizations are constructed in such way to create competition and reduce the financial burden for those individuals who are going to launch new project.

Let us now define the common points, which identify SME in EU. Europe uses three metrics to measure the organization: *Headcount annual work unit*, *Annual turnover*, *Annual balance sheet total*. An entrepreneur can find this information in his or her annual accounts in order to calculate and find out the type of a business. The common metrics for European SMEs are designed in table 1.1. The data is taken from European Commission official site [14].

Enterprise category			
Medium-sized	< 250	≤EUR 50 million	≤ EUR 43 million
Small	< 50	≤EUR 10 million	≤ EUR 10 million
Micro	< 10	≤EUR 2 million	≤ EUR 2 million

Table 1.1

Headcount annual work unit is first metric defines whether a company SME or not. What is included in staff headcount: employees, managers, part-time and full-time workers, partners who take financial issues of an enterprise. An entrepreneur could be considered rather a sole proprietor than a business owner without staff. Annual turnover provides us with revenue the company makes annually by selling its products or providing services. Annual balance sheet total refers to the whole value of assets company holds. An enterprise is still ranked as autonomous if any following types of investor holds 25-50% of a company: a venture capital company, university, institutional investor, small autonomous local authority. That were the crucial metrics we use to assess and measure if a company considered as small or medium-sized in Europe.

The next determination for SMEs we will consider with relation to the United States. Important clue to point out is that American SME have larger threshold for business sizes than it is for Europe. The assessing process here may vary depending on industry. The dimensions were changing during the history with accordance to sphere. Currently, small businesses can be defined with \$7.5 million receipts annually for Retail Trade and Services; \$35.5 million for Construction; 100 employees for Wholesale

Trading; for oil-producing companies the scope of employment is varying from 100 to 1500 workers. The industry's size standard is established on national level. Each industry should reflect the average percentage of people working, revenue that was made, and balance sheet total [15]. You can check out more information on business policies of small businesses in US with attached links [16]. Small Business Administration arranged the official list of industries and requirements to be faced for small organizations [17]. There is single metric for micro businesses or *Small Offices/Home Offices (SOHO)* that is the same either for Europe and the US [18]. Thus, we determined the main requirements which small and middle-sized businesses consist of in the US.

We also should touch the metrics for Canadian SMEs. The classification here happens by estimating the number of employees in an organization. Small businesses there employed 10.3 million people – three-plus times comparing to medium companies. The table 1.2 illustrates the numbers of workers needed to be hired for a certain classification.

Enterprise category	Headcount AWU
Micro	1-4 employees
Small	5-99 employees
Middle	100-499 employees
Large	500 + employees

Table 1.2

According to the sheet above you could notice that required number of employees in Canada is higher than in Europe. However, there is no need to split types of companies by industries like the US does. The peculiarities do differ from country to country. Here we found out common metrics for Canada and once again we should stress the importance of outcomes SME bring into economies.

Let us consider metrics for SMEs, which defined in South Asian countries. Currently, most of the Asian small and medium enterprises are recovering from Covid-

19. Government are trying to relocate their finances to support proper of work of most of organizations. Looking at South Asian companies, there are a lot of low-tech

Table 1.3

Country	Category	Definition						Legal Basis	Remarks
		Employee	Asset	Turnover	Capital	By Sector	Others		
Bangladesh	Cottage, micro, small, and medium-sized firm	√	√			√		Defined by the National Industrial Policy 2016.	
		√	√	√		√		Utilized by central bank.	
India	Micro, small, and medium-sized firm			√			√	Micro, Small and Medium Enterprise Development Act, 2006 (amended June 2020).	
Nepal	Cottage, micro, small, and medium-sized firm	√	√	√			√	Industrial Enterprises Act, 2020	
Pakistan	Start-up, small, and medium-sized firm			√			√	Defined by the National SME Policy 2020.	
	Micro, small, and medium-sized firm	√		√				Utilized by central bank.	
	Small firm	√		√	√		√	Utilized by Federal Board of Revenue.	
Sri Lanka	Micro, small, and medium-sized firm	√		√		√		Defined by the National Policy Framework for SME Development (2015).	
		√				√		Utilized by statistics office (Economic Census).	

MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

Source: Compilation from Country Reviews of Asia Small and Medium-Sized Enterprise Monitor 2021.

organizations. In Bangladesh, 87% of manufacturers supply local market. In Nepal, 85% employees work informally. Most of the SMEs are operating in rural area. India, in contrast, has the highest average rate of exports among other South Asian countries – almost 47%. The table 1.3 indicates the definitions for South Asian countries. You will see much similarities, regarding type of assessment, as Europe has. Some peculiarities may vary by industry. For example, Bangladesh small manufacturing business is considered 31-120 employees. Small services enterprise dealing with scope from 16-50 workers and fixed assets from Tk1 million to Tk20 million. Medium size servicing enterprise include Tk20 million to Tk300 million with 51-120 employees. Indian SMEs are classified with turnover and investments in plant and machinery. Nepal economy is mostly concentrated on SMEs and brings 22% of GDP. 20 million people are working with 30 million population. The significant part of employees work in informal sector. Manufacturing sector has declined. But instead, agriculture, tourism, fishery, forestry have covered SME`s sector. Pakistan and Sri Lanka economies are also constructed mostly with SMEs and prioritized by the government policies. We have uncovered

common statement of SMEs in South Asian countries. The huge part of those economies is based on small and medium companies. The definitions regarding the type of a business are similar to European countries. The information regarding South Asian SMEs: statistics, table, and revision were taken from official review of small and medium-sized enterprises [19].

Now we also should touch countries of East Asia. This region has the largest share of production with small and medium enterprises by providing many product lines and scope of technologies. SMEs cover almost of 97% of Asian economies. The share of GDP that companies bring consists the half part of economies. For China this is 60%; 48% for Hong Kong. The definitions may also vary from country to country. Let us compare South Korea to Indonesian types of SME. Indonesia is mostly oriented to assess the company's size by sales turnover in addition to working turnover. For South Korea it is enough to have data about Headcount. The table 1.4 distinctly shows such differences between two countries. The definitions have been taken from official review [20]. We can also observe the similarities among industries. Looking at definitions of Japan, we see dependence on industry: manufacturing, wholesale, retail, service. The type of assessment used by capital and employee turnover. Small enterprise has its distinct designation with including only working turnover metric [21].

Table 1.4

SME Definitions: East Asia and Pacific				
Manufacturing			Services and other sectors	
Korea*	Malaysia		Malaysia	Korea**
Capital: ₩8 bn. or less (USD\$ 33.8 mn.)	Sales turnover: RM15 mn. ≤ RM50 mn. (US\$ 3.5 mn. ≤ US\$ 11.7 mn.)	Medium	Sales turnover: RM3 mn. ≤ RM20 mn. (US\$ 702,897 ≤ US\$ 4.7 mn.)	Sales: ₩3bn. or less (US\$26.7 mn.)
Employees: Fewer than 300	OR Employees: 75 to ≤ 200		OR Employees: 30 ≤ 75	Employees: Fewer than 300
Employees: Fewer than 50	Sales turnover: RM300,000 < RM15 mn. (US\$ 70,289 < US\$ 3.5 mn.)	Small	Sales turnover: RM300,000 < RM3 mn. (US\$ 70,289 < US\$ 702,897)	Employees: Fewer than 10
	OR Employees: 5 to < 75		OR Employees: 5 < 30	
Employees: Fewer than 10	Sales turnover: < RM300,000 (< US\$ 70,289)	Micro	Sales turnover: < RM300,000 (< US\$ 70,289)	Employees: Fewer than 5
	OR Employees: < 5		OR Employees: < 5	

Note: *Korea also delineates SME definition for mining, agriculture, waste management and real estate activities
Conversion approximate – extracted 8/6/17 at 11:50

Source: Malaysia: SME Corp; Korea: 1996 Framework Act on Small and Medium Enterprises, SMBA

The last two countries for this review will be Australia and New Zealand. There are similarities to Canada. Australian SMEs have fewer than 200 employees. Micro business consists of 1-4 workers; small: 5-19; medium: 20-199; and large businesses are 200+. Australian enterprises produce one-third of total economy and provide working places for 4.7 million people. In New Zealand 99% of businesses employ less than 50 workers in average. Small company is considered with less than 19 workers [22].

As a result, we went through the main definitions of SMEs in different realms and countries across the globe. You can observe common features of how small and medium businesses are assessed. In some countries the scope of such companies may extend to industries they work in. It is important to understand these metrics to define the economical point an economy makes its accent on.

1.3 Influence of SMEs on economic activity

This small subsection is dedicated to importance of SMEs for economic activity in any country. It is constantly obvious that SME serves the role of operative unit that creates money-flow and social dynamics. Despite the fact, that there are immense distinctions in sizes, capital turnover, and rate of investments comparing to large corporations, small organizations still consist crucial part of economies. There are vast amount of countries, which exist only because of small and mid-size enterprises` activities, as we observed in previous sub-section. There are regions that fail to install international corporations like the US do, but the support of SME fulfil the role of substitutive detail.

SME account significant share of economic activity. According to World Banks review, SME consist of 98% of enterprises for 27 countries in Europe. It is also 67% of employment and 58% of gross value added. Same results we may observe for African countries. UNIDO estimates that 90% of SME contribute more than 50% of employment and GDP. For New Zealand small and mid-size organizations consist almost total share of the country`s economy. Small and medium organizations are important to create money-flow and attract investments with profit.

SME improve the social dynamic and quality of living standards. The idea of small business extends further the boundaries of economic development. The competitive spirit between managers and directors make companies to do their work better and produce new products or service approaches. Several coffee shops in small town in Brazil either will try to make their work at the best level or no costumers will come. Such approach helps organizations to obtain and maximize their profit. Talented entrepreneurs can apply their skills and experiences to make revenue by providing unique decisions and representing the best working capacity. Innovations and competitive atmosphere make organizations to care about their costumers and make contribution in production of goods for societies.

Appearance of SMEs intensify the desire to address global climate issues and create sustainable practices. Start-ups provide new place for innovative solutions and implementations of green energy services, water, health services, and education. Such attitude was shared by director of World Bank Group Anabel Gonzales. There is a case of farming activity in African countries. Initially, the income of small farms depends on

many climate factors, weather, evolving of farming techniques, and prices. Emmanuel Owusu Addai was the co-founder of farming app that helped to calculate and predict climate issues. Since 2013, this application raised farming income for more than 200 000 farmers and it has been introduced in four countries. Addai previously worked on mobile projects in World Bank, and here he was able to apply his professionalism, and as a result, helped to thousands of people. Another case happened to Jamaica, where talented entrepreneur Nicole Crawford invented the resource helping students to prepare for the exams. The online platform became the convenient tool for students to develop their knowledge and prepare for the exams. Additionally, this innovation supposed to improve the entire competitiveness for young entrepreneurs among Caribbean countries [23]. It is also evident that European small organizations try to adapt their products and services for sustainable trends. Those companies using plastic-free products or charging from solar panels may attract more attention from clients. This is also because of contribution of EU policies and laws, however it is not changing the fact of shift toward sustainable development.

Let us consider the example of Business Media Network that provides support for small and medium enterprises [24]. Ironically, but this is SME that support other small companies in Ukraine, which suffered from Russian invasion into the country. In order to support small organizations, BMN provides translating and IT services. The company also launched its subproject “Economy of Trust” that is good platform for gathering donations and link to crowdfunding organizations. This activity enables small Ukrainian companies to receive funds for development and survive in military conditions. Ukrainian SMEs are alike to European and consist the huge share of the entire economy. Large companies got fewer impact on their financial side than small and mid-size companies did during the war. Consequently, these circumstances influence on prices, inflation, number of working places, and financial turnover in the economy. Fortunately, there are such organizations as BMN, which provide financial support to SME, as small companies play significant role for the whole statement in country.

The first chapter attained its objective to define the fundamental concept of SME and show their role for economies. SME are small and medium enterprises, which maintain revenues and assets on certain threshold of their development. We found out that entrepreneurial activities existed centuries ago. People used to manage logistic, cooperation, and production of items even in ancient civilizations. The concept of SME has actualized after industrial revolution and globalization. The technological breakthroughs enabled the world to export and import goods ten times faster. Those countries, which invent technologies receive profit and improve their living standards. SME also brought the concept of services. Companies make peoples` lives better by creating entertainment, serving clients, and providing convenient platforms for education and information. We have revised the definitions of SMEs across different realms – the types of assessment whether a company considered as small or middle. Finally, we extracted the main benefits, which SME bring to economies. Huge part of economies consist of small and medium enterprises. Such conditions produce money-flow, give working places, and technological growth. There is important line between SME and large company, since big corporations have much physical resources and power, and not all countries may attain this threshold.

We will consider later the importance of governmental policies and models, which lead economies to development or degradation. SMEs gave us the best living conditions and technologies: medicine, cars, clothes, medical drugs, information, remote work, actual ability to work, and revenue. The life without SME would look like isolated communities living in tribal conditions. This is why it is important to find proper incentives and abilities to develop the concept of SME.

CHAPTER 2. COMMON DYNAMICS OF SME

2.1 Factors leading to development or degradation of SMEs

The appearance and development of SMEs depend on many economic and socio-cultural factors. There is individual factor stopping a person to launch a start-up because of a fear to fail. Economic regimes define the conditions of whether it will be cheap to maintain a company or expensive. There are also global risks such as wars, pandemics, and crisis preventing entrepreneurs to act. The national context also defines the rate of new businesses by dividing the countries on income groups. For example, high-income Canada and Saudi Arabia have more entrepreneurial activity than Germany or Norway. Similarly, low-income Brazil and South Africa will have much higher levels than low-income Morocco or Iran. Thus, there are different aspects to be considered in this section regarding SME`s growth.

There is a research from Global Entrepreneurship Monitor evaluating opinions of societies around the globe on how people consider their opportunities to start their business. GEM conducted the analysis across different countries by contexts, income, and ages. In one of the inquiries, people were asked how they recognize the opportunities to start new business in their country. The results of high-income countries showed that the highest levels were in Saudi Arabia and Cyprus, despite the lowest level in high-income Japan. In contrast, low-income Brazil showed was at the third stage by people who insured that there are great opportunities in their country. Another evaluation was dedicated to having enough resources, such as knowledge, capital, and experience to run new company. In this case, Saudi Arabia still had the highest rate, despite the fact that people see opportunities. Interestingly, half or more adult people from low-income countries think they have enough expertise and knowledge to run a start-up. It is also 11 out of 15 middle-income economies, which confident about their success, and just 11 out of 21 for high-income nations. The personal initiative to run the business is defined by

social and economic factors. The common reason that set people back in making a decision to launch new company is fear of failure. As we see from these results, people living in high-income countries usually afraid of failure more than people from low and middle income states.

According to the GEM research, countries were evaluated by two measures to identify personal entrepreneurial activity and readiness to start the business. There are different ways to measure entrepreneurial activity: by registered companies, number of workers, people considering them as self-employed, and so on. There are taxi-drivers, musicians, decorators, who would not say that they are businessmen. However, GEM includes those people in the statistics. The special two metrics were applied to the research which are Total early-stage Entrepreneurial Activity (TEA) and Established Business Ownership (EBO) to find precise number of people who either run new business or act as entrepreneurs.

We can see the results of GEM researches in the figure 2.1 and find out some differences between countries. The table will show us that proportion of people starting

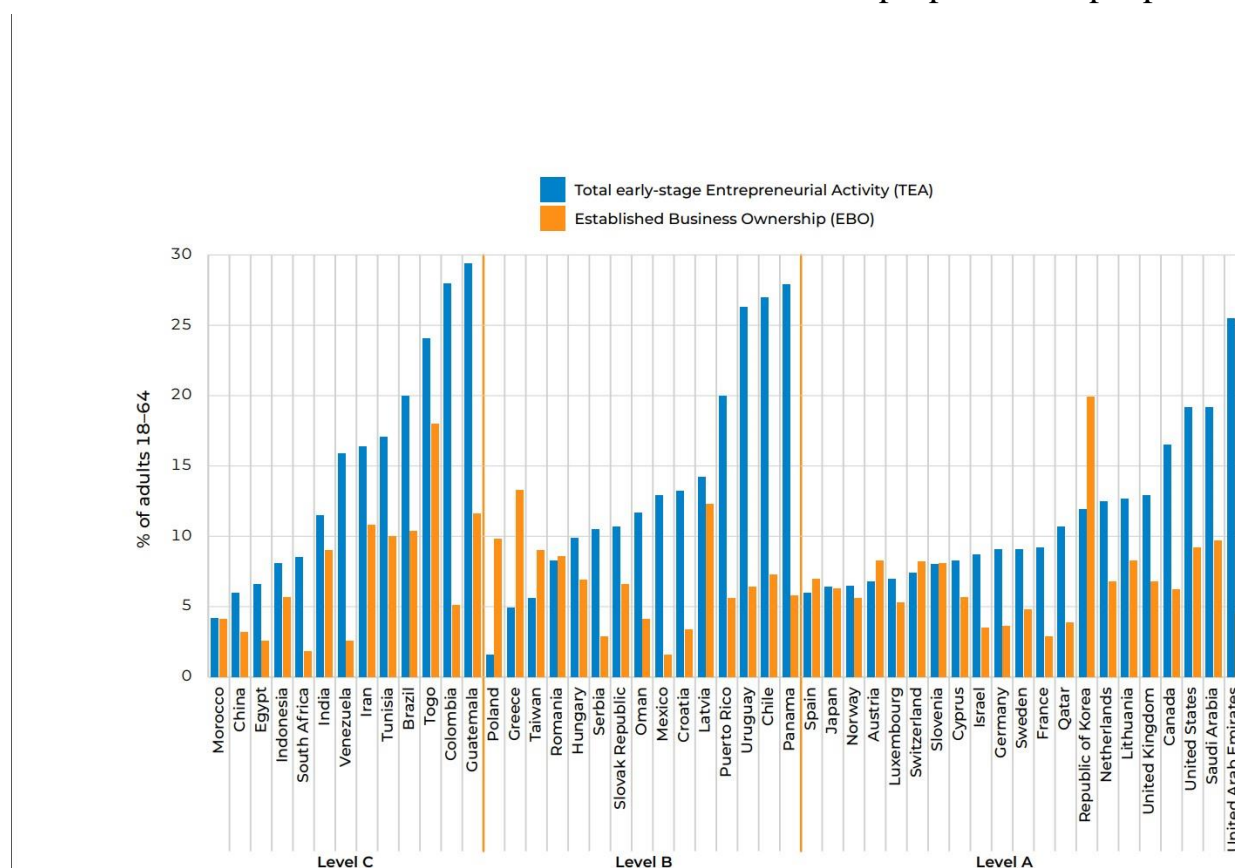


Figure 2.1

their new business lies in four middle-income countries: Poland, Greece, Taiwan, and Latvia. For low-income states this is Colombia, Brazil, and India. You could notice that the correlation between TEA and EBO is negative. There are some crucial factors to be considered on received results.

The same article provides answers of people of why they start new business and other aspects, which we should take into account. It was depicted several common motivations leading people to run entrepreneurial activities. They were:

1. To make a difference in the world;
2. To build great wealth or make high income;
3. To continue family tradition;
4. To earn a living because jobs are scarce;

The first motivation to make the world better belonged to all countries with different types of incomes. The highest rates of agreement were in Romania, India, and South Africa. The lowest in Republic of Korea and China. The motivation to earn higher income was bigger than desire to change the world. 34 out of 49 countries accepted this idea in conducted research. Low and high-income economies related the most for the second motivation. The motivation to continue family tradition belonged to the minority, especially to low-income economies. The last motivation from the list declined proportionally to income in economy. The highest level for this motivation was in low income countries, and gradually went down due to income rise.

The sustainable development is also good incentive for much entrepreneurs, especially in those countries it is supported by. The biggest rates for launching of green companies were in Poland, Norway, China, and Romania. The green sector puts its impact as the world moves to renewable energy and fulfilment of SDG` goals [25].

There are much factors causing the way the business grow or fall. The survey was conducted by OECD in member economies to answer these questions. The most crucial barriers for companies to join international markets were classified by access, capabilities, finances, and business environment. Lack of certain capabilities was the

main obstacle that did not allow most SMEs to grow. For example, untrained workers and lack of human resources was the toughest issue in the list preventing small companies to access international markets. Other problems appeared with inability to identify foreign business opportunities or get information about external markets. Some of the SMEs failed to meet appropriate standards of quality or specifications of their products.

The OECD's report also revealed that many governments of member countries provided support programs, which significantly improved quality of SME's performance. The programs were specifically oriented on service improvements and enacting mode of international activity. It is supposed to ease export policies for trading agreements. There were number of models governments try to apply according to particular services and deliveries. For example, some structures support SMEs by providing them with training and FDIs. Another alternative was the support of sectors the businesses belonged to.

Issues appeared when methodologists divided common development barriers by economic sectors. They found out that most companies providing services fail to assess international market and possible opportunities to depict the right strategy. ICT sector faced huge shortage in human capital. Barriers also can be divided by regional peculiarities. Thus, Canada reported about difficulties in working capital by inability to meet financial expenses. Japan, in contrast, does not have any difficulties for SMEs to identify external opportunities. New Zealand complained about high transportation costs and insurance costs. On the other hand, there are countries, which take a position as target market. For instance, such countries as the United States and China – they have geographical advantage.

Now let us consider the barriers appearing as obstacles on policy levels. Much difficulties SMEs may face as a result of high tariffs, unfavorable foreign rules and regulations, high costs for custom administration, inadequate property rights protection, and so on. 37% of American manufacturers participating in 2004 poll reported that they tariffs limited their revenue that supposed to be higher due to the exports. There is also a difference between SMEs and large companies in terms of handling those tariffs. Large corporations have enough recourses to leverage on international market. Whereas, small

companies face much operational expenses, which they do not usually have enough finances for. How governments can address the issue with expensive tariffs on exports? First and foremost it is joining trading coalitions and trading zones between different regional markets. Participation in bilateral agreements and WTO will help to eliminate such difficulties. Other ways may include taking legal proceedings and implementation of trading advocacy.

How can SMEs handle with expensive tariffs? There are a lot of strategies, which could be applied to overcome this problem. Entrepreneurs may lobby projects and activities, which intensify the decline of tariff agreements; building relationships with policy makers; monitor policy developments from abroad. The key-point here is that SMEs are interested to invest money and resources to make trading process easier and less vulnerable [26].

The end of this subsection will be dedicated to the research by Daren Acemoglu with his book “Why nations fail” and the effects to SMEs. It is going to be extended view at the global state of economics and nations. The key-point of the book was that there are two common types of economies and regimes, which define if the economy is going to be poor or rich. The two types of institutions are: *inclusive* and *extractive*, and they define the form of interactions between government and people, nations and economies. For example, inclusive form of institutions suppose democratic and open way of negotiations. It includes free-trade agreements, collaboration, competition among businesses, and democratic principles without corruption. Extractive type of institutions, in contrast, does not supposed to provide people with rights to vote or choose the form of government. It also denies any trading policies or incentives for growths and innovations. The common political types, which are close to extractive form of economic and political management: communism, autocracy, despotism, far right boards, and so one. Both these forms of government have their effect on social and economic development, and of course, they make their impact on SME` development.

The perfect example of how these two institutions work was mentioned in the book by the case of Nogales. The city lies between two states of the United States and Mexico,

and it is divided by the fence. The same climate and geography. Both societies have the same backgrounds: people from North Nogales are Americans so historically came from Europe; and Mexicans who became independent from Spain in 1821. But the economic state has quite different vectors. People living in North Nogales in Arizona mostly have better medicine, sewage system, roads and income of the average household there is 30 000 dollars per year. Many residents have access to Medicare and teenagers go to school. The life by other side of the fence is quite different. The average household there is one-third from North. People there do have education and health care, but it is time worse than in the US side. The level of crimes and unsafety commitments are higher in South Nogales. It happens because of corrupt policies and Institutional Revolutionary Party in Mexico. In contrast, Nogales that is in Arizona has access to the American inclusive institutions, and this is why the city can afford exceptionally different standards of living.

Let us consider the mechanism of extractive institutions precisely and find out why it does not work for long-term perspective, especially for SME. The concept of extractive economies supposes that the country creates certain output or wealth that can be extracted by society. Such type of countries does not need any innovations or technologies. They rather can reuse those, which have been invented by inclusive countries. Extractive economy usually is led by some leader or board, who assume control around people. The good instance is Soviet Union. The country had extractive type of institutions. It provided workers with incentives to do their work by making entire output, so that could be used for all society. Eventually, the country collapsed, because it did not have enough physical resources not just to grow, but to exist. This is the example, where the concept of SME would had never appeared. The Union did not have a need to trade with other countries or increase social inclusiveness of society. The early stage of Soviet Union has been formed in the beginning of 20th century after the revolution. These states had its potential, because leaders had their plan of developing this region. It worked in short-term perspective. Indeed, the society had motivation to work and change the government. However, the final result did not shift the entire vector of growth. People lived in deficit

and foreign technologies and things were illicit. The country was the first, which launched the rocket, but in reality, shelves on the markets were empty. This is why extractive type of institutions did not work out for Soviet Union in long-term perspective.

It is important to mention that the results of poor or rich countries are obtained not because of geographical or racial parameters, but because of economic outlines. Let us look at the example of China. The country has lived in poverty until Mao Zedong's death. It had nothing to do with Chinese culture. Certain types of policies led the nation to starvation; scientists were persecuted by the government; people did not have any proper incentives to work and develop the economy. Nowadays, we see totally opposite picture. The country is one the most fast-growing for the last decades. China participate in international trade and set up its businesses around the world. The key-aspect that led to such outcomes were the decisions made in Communist Party. The point is that China is living extractive in terms of political and social institutions. However, it is inclusive state in terms of economic levels. China opened bunch of facilities and manufactures in African countries. They also brought extended number of technologies that the world can buy. Thus, we should consider economic development by relying on institutional vectors of the country [27].

Inclusive and extractive policies usually define whether the SME will develop or be on the downward path. Inclusive patterns assume that the business will have enough incentives, whether financial or legal, to grow. Entrepreneurs may not worry that they will be attacked by corrupt scheme, because inclusive laws provide people with fair courts and protect the rights of clients. It also enables countries to perform competitive activities, and this is how companies can develop. Economies can join trading agreements and create open-trading condition to attract capital and investments from abroad. It also will influence the living standards, as science, financial markets, and competition create the most convenient conditions for costumers and brings new technologies. Democracy can make political policies, which intensify business activity in both domestic and foreign markets. As a result, the most convenient countries and regions for launching the SME are North America, Europe, Saudi Arabia, 5 Tigers of Asia, and Australia.

This subsection was dedicated to the broad research to find out the factors leading to development or degradation of SMEs. We revised statistical data, surveys, and scientific analysis to look at the economic statement independently.

The GEM research showed the statistics about opportunities and different types of activities related to SMEs among countries. We pointed out that economies may have two crucial types of how small and medium businesses appear: by entrepreneurial activity and established business ownership. Both directions supposed to be interrelated and they have different starting-point depending on country. We found out that huge number of people usually are not ready to launch new start-up because of the fear of a failure. This metric rather cannot be applied for low-income countries than for middle or high-income. This disproportion can be explained by fear to lose the current living statement or opposite – to live in this statement. For example, people living in Europe would not decide to launch a business, because they initially have optimal living standards. Risk of failure would not cost their efforts if they just can find a better job. However, the initial number of launched SMEs is much higher than in low-income economies. So, those entrepreneurs who decide to start a new deal will rather be protected by the law, and financially motivated than people from poor economies. The opposite perspective of people from low-income economies. They are motivated to start a new deal to get out of a poverty. This is why the entrepreneurial activity there is higher, but the number of established companies is lower. In addition, the GEM research also included those people who start their deal solely: taxi drivers, musicians, private teachers, and so on. The explanation works if we consider the disproportion from this perspective.

Another aspect we considered in OECD report. We extracted the idea that SMEs fail to join international trading and develop among foreign players because of juridical barriers. There was a key-point that countries should join bilateral and trading agreements. While this time, SMEs should use their capabilities to lobby those laws and policies, which will ease their entrepreneurial activities.

The answer of enhancing SME`s output lies in internal and external contexts. Different cultures have different motivations. Institutions usually define the ability to set

up a new business. Inclusive policies will lead to construction of free-trade agreements and competition that intensify development. Extractive institutions often assume the power and do not leave any chance to attract new ideas, capital, and investments. Thus, we considered the common aspects of SME growth and slowdown.

The next subsection will be dedicated to comparison of SME statements between the United States and Ukraine.

2.2 Comparison of SMEs` dynamics between Ukraine and USA

We are going to consider SMEs` dynamics, in this subsection, comparing the USA and Ukraine. Both countries have resembling vectors of business development. The difference lies in financial capacity and political structure. Both countries have democratic way of conducting international trade. Ukraine, in contrast, still handles the burdens after reconstruction period and military activities. Let us compare these countries and find out current weaknesses and possible opportunities.

We start off with evaluation of Ukrainian lay-out for SMEs from political structure to the consequences of the war. Back in 2003, Ukraine started reorganization of regulatory environment in private sector. New regulations set up clear procedures for business registration and legal acts. Some of the permits were abolished. Despite these new developments, Ukraine still faces economical and legal instabilities. The World Bank conducted the survey on this topic. The obtained results showed that the main problem for Ukrainian entrepreneurs were unstable legislation, corruption, unfair competition, interference of central authorities. Interestingly, the same results are proving the topic by another USAID survey in 2021 about trust to Ukrainian branches [28]. The highest level of trust was to Armed Forces of Ukraine, mass media, and local authorities. The lowest levels of trust were to Ukrainian courts, Parliament of Ukraine, and Supreme Court. This is not surprisingly that the toughest burden for Ukrainian SMEs are the inappropriate policies, protection of rights, and monopolization. Hence, these structures do not allow

international businesses and countries to join Ukrainian market and invest in our SMEs. Because foreign investors cannot feel themselves safe, without internal protection. There is another complex topic that is monopolization. This burden has been dragging the country for the decades after redistribution of private ownership by the criminal figures. The US, in contrast, conducts the policy of curtailment of companies becoming monopolies by dividing them on smaller subsidiaries and actively fining their revenues. Ukraine has complex issues in terms of business protection and political structure.

There are other issues, which slowdown SMEs` activity, and they need simplified leverages. Taxation is another complex topic for young entrepreneurs. Businessmen spend immense funds to pay for their activity, and this is the place where shadow economy arises. Illegal inspections was also another issue, especially for 2003, because companies were losing 28% of their revenues, because of unfair fines. This model needs simplified way of taxation and protection of private sector [29].

Now let us take a look at the Ukrainian dynamic of SMEs during the war. The survey from the European Bank of Construction and Development was taken to reveal the statement of SMEs during the war and last few years. The research has been conducted by the US and Sweden. The results show us several negative and positive trends, weaknesses, and opportunities.

The negative outcomes for SMEs from the war are:

- *Drop in business activity* that is because of decline in number of operating enterprises;
- *Loss of income*;
- *Decrease in the number of orders* caused by migration and budgeted cuts;
- *Increased stuff turnover* due to mobilization and migration;
- *Destruction of energy infrastructure*;
- *Inability to find proper business strategies*;

The list of positive outcomes:

- *Increase in sales for some companies* due to orders from government or lower competition;
- *Price advantages* due to devaluation;
- *Proactive strategies* which can be found by a few SMEs due to the global support;

There are also significant challenges for SMEs operating in different sectors. For example, manufacturers suffered because of broken supply chains, high turnover, and lack of raw materials. Businesses from sector of services were damaged by inability to build long-term strategies and inability to increase sales for employees. Other issues appeared as a results of relocation from danger zones. For example, loss of production capacity, issues with equipment installation, inspection from authorities, and so on.

The separate challenge in this list is strategizing. Most businesses do not build long-term strategies and planning horizon shortened to one month. It led two-third of COEs to short-term planning. Strategies are mostly focused on development of exclusive products, conversion and new business models, search for new markets and grant funding.

Now let us look at positive outcomes, which Ukrainian SMEs may get from opportunities. Using the data from the survey we may notice that 62% of CEOs will ready to run their business even if the war last one year. Most SMEs can use financial and grant support. Foreign countries provide us with training programs and tips. We have assistance in production sector.

In order to enhance the path to get new opportunities, Ukraine has to redesign the old model of legal and economic standards. First of all, we have to find the way to overcome corruption schemes. Lowering the taxation and administration rate will ease the work for small and middle companies. Regarding non-financial needs, these are legal advices, crisis management and upgrade of enterprises, logistic arrangements, psychological support, and accounting [30].

The EDBR has been supporting Ukraine since 1997. The Bank has provided Ukraine with assistance and invested almost 18 billion euro in Ukraine. Their partnership brings huge support to Ukrainian SMEs [31].

It is important to add the value of companies in Ukraine, which support SMEs. One of such companies is Business Media Network. That is Ukrainian start-up that grew up into several big projects by uniting students from universities, cities, towns, and other start-ups. The aim of BMN is to support small and medium enterprises by providing them with financial support, translation services and valuable network of authorities. The company expanded its activity since the war has started by enabling students to work and create new opportunities for their customers.

Now we are going to look at the dynamics of the United States. According to the recent OECD outlook about SMEs activities we can point out several crucial key-takeaways. The first is that the US` SMEs were mostly impacted by Covid-19. Those companies, which were involved in international trade and supply chains were affected the most. There are economic sectors, which got significant impact because of pandemic, they are: wholesale and retail, construction, food and accommodation, and other personal services.

Despite harsh circumstances, the US uses its old framework of business organization over the country. This policy is based on multi-year Action Plan and conducted by Small Business Administration (SBA). It was established in 1953 at the Federal level and aims to support small and medium enterprises financially and judicially by giving advices and providing entrepreneurial development.

Key implementations during the pandemic period:

- Paycheck Protection Program;
- Economic Injury Disaster Loans;
- Indebtedness eligibility threshold;
- USD 600 billion Main Street Lending Program;

The business population is rather consists of large firms. SMEs` activity contributes 42% of total employment. This is why proper regulation layout is important to support SME activities.

The period of pandemic created new opportunities and directions for small and medium companies to develop. The expansion of e-commerce was strongly accelerated in 2020. Social distancing rules shifted consumer activity to online and digital format. Consequently, demand for new technologies, automation, and online services increased, so the companies are taking this niche. Another key-outcome was the shift to complementary services on international market, such as logistic and data analytic. Total share of e-commerce in retail services increased from 10% in 2018 to 17% in 2020. These results show us common dynamic of SMEs` in the United States during last few years [32].

Thus, we have observed the dynamics in Ukraine and the United States and compared these two countries. Once again, we should notice the significance of government policies and economic structure. Contributing to this chapter, we are extracting the results of SMEs` activity by comparing two models of support of companies or, in contrast, distracting them. Ukraine has got much opportunities as has never before. Global support, especially from the US, gives financial aid and education to those young Ukrainian entrepreneurs who were not able to get it from government several years ago. Indeed, the wartime created tough circumstances for running the business. But this is also the ability for the country to reconstruct old framework that burdens companies by high taxes, unfair inspections, and corrupted courts. The common dynamic of Ukrainian SMEs is slowed down by increased staff turnover, allocation of facilities at the new places, and destructed infrastructure. The dynamics of the United States was mostly affected by the pandemic. And once again, proper economic framework with the accent on SME`s enabled the country to redirect its activity to profitable stream. Of course, the important factor we should include by comparing these two countries is financial and economic capabilities. It goes without saying that the US hundred times more powerful in terms of investments, capital, and scope of supply chains. It is made by centuries of political and economic redesigns. In 19th century, proper banking policies lead American geniuses to turn their ideas into new businesses and make great revenue on their innovations. Moreover, those inventors were able to protect their developments

by patents. It is not the same for Ukraine, as the country is taking its start in economic reconstructions. It also take much time and recourses to fight for independence. Nevertheless, Ukraine and the US have the same aspirations to democratic values and principles of free-trading economies. Now we see the way two economies are existing and reasons of their dynamics.

2.3 Examples of successful business outlines leading to economic outcomes

The last subsection will be dedicated to successful economic patterns leading to profitable outcomes. We will consider the period of 20th century, when working management, industrialization, and automation were key-novelties for most of the companies. The industrialization includes steel industry, automobile industry, and adoption of new technologies. Those countries, which used right policies and incentives to enable these industries produce and export more performed the best results. Such strategy was a core-stone for FDI attraction. And thus, these nations were able to become technologically leading in the globe. Now we will consider such examples and reasons for success.

We will observe the path of development of several countries in 20th. Japan is going to be the first example that we consider. The country had had several stages of industrial breakthrough after the WWII. The first was post-war reconstruction to the mid of 1950s; the second was high economic growth to 1970s; and the phase afterwards that included slow economic growth after the oil crisis. The Policy Concerning Industrial Rationalization was adopted in 1949. It was supported by the National Bank and fulfilled the main aim to restore the industrial sector. The reform included tax policies with a favor to industry. By the 1950s several institutions were created. Some of them were Japan External Trade Organization, JDB, and MITI. All of them were not dependent on government decisions. They stick to two main principles: self-financing and cooperation with private banks. After this, the country adopted “Plan of Liberalization and Trade” by

1960s. The policy emphasized the importance of democratic free-trade, industrial planning and equipment, and coordination of production especially with SMEs. The policy also included promotion of technological, machinery industry, electronic industry, etc. The next period was Japan`s Steel Industry. The scope of steel exports increased from 7.8 million tons in 1949 to 120 million in 1973. The process of industrialization was supported by technological upgrades, facilities improvements, and depreciation. New policies, investments, reconsideration of working models, and coastal land for trade enabled the country take advantage in its development. Moreover, the introduction of large-scale vessels specialized to transport ore enabled the state to reduce its transportation costs, and make them lower comparing to the US. The last important period for Japan was Japan`s Automobile Industry. Production of automobiles increased from 69 000 cars in 1955 to 6 946 000 in 1975. It was led in domestic market first and later export-development started in 1970s. The promotion policies consisted of JDB financing and Corporation of Small and Medium Business Enterprise. It included depreciation, license for import of foreign technologies, and tariffs exemption for foreign equipment. The competition of Japanese automobile companies was strong, especially because of liberalization. The Act on Temporary Measures for the Promotion of Machinery Industry enhanced industry development that mostly consisted of SMEs. Several key-areas were promoted by the law. There were machinery, cutting tools, molls, production of gears, screws, electric welding machines, and so on. The economic structure of Japan attracted the great number of FDIs and technological breakthrough.

The great output of Japan as a result of industrial success was Kaizen model. It was a certain philosophy that appeared consequently to entire development. The key-idea of this concept was that companies make changes for continuous improvement. Kaizen model also included several management principles, which included efficient and positive working environment, safe and not tiring working process. People also in the corner of their knowledge – you do your best. The model enabled businesses to increase employee satisfaction and loyalty, lower stuff turnover and production costs, and it led to better productivity and problem solving. It also included management that minimizes time of

getting inventory and raw material. Most Japanese and international companies took this model in use. Toyota was the brighter example of conducting this method. As a result, many countries adopted this technology [33].

Other country to consider is going to be South Korea and it also has several industrial phases of growth. Light-industry centered in 1950, transition to export oriented industrialization in 1960, heavy and chemical industry (HCI) drive in 1970s, and further industrial upgrades, including promotion of IT technologies in 1980. Transition to export-oriented industrialization in 1960 went with discovering their competitive advantage. Back in that time, some policies included technological promotion, upgrades, and financing for industrial sector. The lending capacity of banks was also improved. Some banks were working specifically for industrial sectors. The interest rates were less than half of market rates. The next phase of development was activated in 1973 that is HCI drive. It has brought the economy about 10 billion dollars in exports by 1981. This phase included several leading industries: iron and steel, nonferrous metals, shipbuilding, machinery, chemicals, and electronics. The HCI period enabled economy to obtain share from production in higher levels than during light-industry. The government began to set-up new labs and R&D spending were increased too. The last two phases belonged to the steel industry and automobile production. This industries were also supported by government in terms of expending foreign interaction and technology acquisition, and implementation of long-term plans of automobile industry. As a result, the production of cars increased from 123 000 in 1980 to 2.5 billion in 1995. The country became the fifth largest country of automobile production.

The resembling periods of growth were met by Malaysia, Brazil, and Chile. These countries also were able to enhance the economic conditions by industrial period and liberalization of policies. Several key-sectors were a bit different comparing to Japan and South Korea. For example, Chile mostly invested in forestry products and salmon industry. The government cancelled mostly all restrictions on FDI and begun to finance the private sector. Malaysia set up oil industry and automobile production. This country also applied export-opened policies. The government started to promote automobile

industry. Malaysia also started to attract FDIs on commodity market by production of palm oil and fiber. The country used its advantage by being the participant of Free Trade Zone and set up licensed warehouses. Brazil took its growth in steel industry and creation of food chains. These countries are example of proper liberalization of their industries for economic outcomes.

Now we will conclude the results of industrial phases for considered economies. All of these countries were ready to accept FDIs for their development. FDI was effective vehicle to acquire foreign technologies and finances. Korea and Japan were in the spotlight of Asian countries, which received FDIs, especially during HCI drive period. ASEAN countries, which started HCI later also actively begun to attract FDIs. Brazil had the hybrid approach by attracting FDIs and establishing of powerful banking development. Japan and Korea had to continuously acquire new foreign technologies. Korea started to promote R&D sector and give tax and other financial incentives. Japan performed its outcomes by the government commitment and emphasis on SMEs support. Brazil had a broad range of developing industries. The most crucial was airplane production by EMBRAER, and as a result, the country became on the top of the best airplane manufacturers. The Malaysian case was also supported by government promotion and exceptional investment in R&D. These are the outcomes of countries made by the government and banking cooperation.

One more tool we should consider is firm capabilities, especially those, which are SMEs. Improvement of firm capabilities in Asian countries brought much outcomes to economies, such as FDIs, new models, and enhanced production performance. SME policies were widely applied to Asian states. Both vertical and horizontal implementations show effective results. Kaizen model worked out the most for vertical type of businesses. Consequently, vertical policies brought these mentioned countries the best results. This is because the countries oriented on automobile production may need about 30 000 – 40 000 parts for production. This is why supplying companies are crucial. Malaysia, for example, launched Vendor Development Program that was oriented on “anchor companies” to support the vendors and production sector. Thus, polices related

to small and middle companies improvement have built the entire structure of production [34].

In this context we should mention the outcomes of SME` support by Ukrainian BMN. About 1000 entrepreneurs received their financial support during the war conditions [35]. The connection to authorities from different towns and access to international interaction brought new opportunities to young businessmen. It promoted the idea of SMEs among Ukrainian community and put the country in a spotlight of international economics.

Thus, we have considered the common dynamics of SMEs over the world. We started up the chapter with the GEM research and looked at opinions of people regarding their readiness or external capabilities to launch new company. We found out the difference between entrepreneurial activities and actually launched businesses. People from low-income countries less ready to start their project, but they are willing to run their individual activity by providing others with private services. States with middle and high income provide people with good education, financial incentives, and protection of rights. This is why these countries have more quantitatively launched enterprises than low-income states. People often are driven by fear of whether their project will become a failure or fear to survive making small profit. We have also laid out some common trends, which may boost SMEs in certain sectors and some of which may not.

Another important model of economies that we found out was taken from “Why Nations Fail”. We had to mention it, because it explains the reason of inability for businesses to develop in some countries. Further in our chapter we took a look at several instances in comparison about the dynamics of SMEs in different states. The key-idea was that political and economic structure matters. Ukraine was the example of country that aspires to join international trade and democratic freedom, but fails to totally reconstruct its entire governmental and economic structure. Unfortunately, those countries, which cannot make out with corruption systems and unfair judgment policies, will not be able to receive FDIs, compete on foreign market, and follow new trends. In comparison, we took a look at the American, Korean, and Japanese lay-outs of their

economies and found several tips. The first is that these countries are operating by incentives and open trade, especially with huge support to SMEs. Their type of governmental and economical structure is inclusive. This is why the entire vector of policies may define the dynamics of SMEs from country to country.

Now we can evaluate the reason why some huge systems are failing and what the context is for the SMEs. Soviet Union is excellent example comparing to other countries in 20th century, which we considered, to assess the output of the whole system [36]. USSR was the union representing different states, but eventually it has failed. The ideology of this union did not suppose to promote private sector and technologies. Rather it did, but the vector was the attainment of military supremacy and expansion. It takes immense resources to maintain such process. Korea and Japan, in contrast, put their resources in technologies that brought the world valuable outcomes, without the need to expand their territories. As a result, the countries got what they got at the same time-period.

CHAPTER 3. STRATEGIC PRIORITIES FOR THE DEVELOPMENT OF SME AS THE ECONOMIC TOOL

3.1 Development of positive feedback between SMEs and economies

This last chapter will be dedicated to strategic priorities for SMEs including prevention of obstacles and extraction of positive outcomes. We will rely on the experience of Ukrainian BMN dealing with lots of SMEs and supporting them for entire economic growth. We will also go through the world tendencies and future perspectives of SMEs. We live in dynamic world and the vector of production, services, and technologies is constantly shifting. For conclusion, we will revise possible challenges for economies and ways to mitigate them.

The first step in this chapter takes place at recalling of the importance of SMEs and factors leading to proper entrepreneurial activity. We went through the profound evaluation of statistical data, methodologies, and articles. Let us point out the main outcomes, which SMEs bring to the world. These are *community economic development, enterprises development, and locality development* [37]. Small and mid-sized companies contribute into sustainable development growth. Living standards are improving as a result of working places, emergence of new technologies, services, production, and innovations. Sustainable development appears as a result of leading trends to green economies, plastic-free products, and recycling. Small businesses consist the huge part of those companies, which create these new trends. Interestingly, we can observe at this point the closing loop between small businesses and economies. SMEs provide new working places, contribute into economy, and attract investments. Societies tend to buy new products, be careful to nature and places it uses. Investments allow to produce more and invest into new researches. Hence, SMEs will grow faster into larger companies, produce more, and finally, contribute into societies and economies again. This is the example of positive feedback between an economy and a small enterprise. According to

overall materials observed we find out that methods of managing institutions and policies matter.

The way to create positive feedback in economies lays down in regulations of institutions and policies. Court system should be free from corruption in order to properly protect people. Countries can use systematic approach in order to handle such complex topics as financial crimes, bribes, bureaucratic policies bothering appropriate growth of SME, unlawful inspections, and so on. The excellent case that happened to Finland in order to fight offside overtaking. The local authorities issued the policy to fine those drivers withdrawing the percentage from a certain person`s salary. Let us imagine that a person who runs his or her large company make 100 000 dollars per month. Then in case of being stopped by a policeman for over-speed he or she will have to pay 30% from their salary to cover the fine. The same methods will be used to a person making 3000 dollars per month, and even in this situation an individual will pay the equal amount as the rich person would. That new policy in Finland decreased number of driving offences in three times. Eventually, the country created its own positive feedback related to certain social sphere and policies. The same approach should be implemented for countries in economic perspective [38].

Governments can support an enterprise at different levels: micro, meso, and macro-level, besides the systematic approach. One small example from United Kingdom is Prowess Flagship Award that enabled small companies to receive financial support and encourage employers to hire women. Some other initiatives, which could be applied:

- Availability and accessibility of information;
- Credit guarantee schemes;
- Venture capital and private equity;
- Support and benefits for innovative enterprises or those tracking by green trends;
- Support on technology training;
- Support of R&D and innovation;
- Protection of intellectual property and rights of consumers;

These are some essential tools, which countries can use in order to support SME`s activity and as a result – contribute in the entire economy [39].

Now let us consider the case of Ukrainian Business Media Network and its impact on national SMEs. BMN provides to companies financial aid, promotion, and bunch of services. The project acts as the connector between businesses and local authorities in Ukraine. BMN also promotes national SMEs in foreign market by using its international relations. The crucial idea of BMN is that this project acts as intermediary between crowdfunding, and charity companies, and national small enterprises. The activity of BMN supported a lot of national SMEs during the war-times and provided them with international connection.

We should recall five main projects of the business, which play essential role in support and interaction between the national SMEs. Projects are listed below:

- *Marketplace*. This is the platform that gathers Ukrainian SMEs in a single place to make a connection between national and foreign companies. Users can see detailed information about a business: its history, principles, type of industry, and date of launch;
- *DealFlow*. This project is the blog that company runs for educational purposes. Lots of entrepreneurs can hear professionals from different industries and get opinion on economic and financial state of the world. The presenter of the blog is Henry Shterenberg – co-founder of BMN and other projects. Henry is experienced entrepreneur, businessman, and he has strong international relations, so this is why he can invite different specialists on board.
- *City showcase*. This is built-in catalogue where users can see national businesses on a map and zoom them in. It is useful platform since it represents companies instantly.
- *Majors` Club*. The essential platform providing connection between businesses and local authorities. The head office of BMN uses its interconnections with Ukrainian mayors from big cities and small towns to promote companies, infrastructure projects, and participation in social projects [40].

- *Economy of Trust*. The platform that evaluate SMEs on their level of trust and provide connection to charities. Companies can buy a subscription to be promoted for investors and additionally can track the rate for trust with other enterprises. Besides these services, the platform has provided new working places for Ukrainian students, and enabled them deal with negotiations, finances, create new departments, and invent new products [41].

These five projects are the core-stone of the entire sustainable development for SMEs. On one hand, young entrepreneurs received financial aid during the war with Economy of Trust. On the other hand, businesses get interaction with foreign and domestic investors and authorities. Economy of Trust attracts investments and financial aid via foreign crowdfunding and businesses. It takes commission of 7.5% and allocate it to local SMEs in Ukraine, which applied the inquiry.

Business Media Network is the perfect example of internal companies, which create positive feedback between SMEs and economies. The support of small and mid-sized enterprise plays vital role in economic development by attracting investments, increasing export, and number of work-places. It also has social impact by enabling cities to promote new projects, eased regulations for trade and running of business. Thus, Ukrainian SMEs got the potential to grow faster.

3.2 Future development of SMEs

This subsection will extract the future of SMEs: trends, industries, and management. We will look at the global conditions, and the results they will lead small companies. Finally, we will wrap this subsection by considering the example of BMN in terms of SMEs' outcomes.

First of all, we should look at the future financing of SMEs. The world is moving to new type of financial structures, which are FinTech companies. People get new

budgeting applications, blockchain technologies, brokerage services, and robo-advisors. We can notice that the competition between banks and FinTech industry will significantly grow. SMEs get now different sources to fund their small business or earn income without high taxation or banking revisions. According to World Bank research, 50% of SMEs struggling with access to finances. The reason is the concern to weak financial infrastructure for companies to get loans or finance themselves. It usually takes much time to make applications for banks, and the banking products are mostly overpriced. FinTech, on other hand, curtail time needed to apply for a loan. Another advantage dealing with FinTech is usage of AI technologies that speeds the process up. SMEs will be able to set up their web-sites and launch their projects faster with digitalization. The direction of SME financing will shift from banks to FinTech or Digital Banks.

Now let us consider industries that will emerge and future dynamic of SMEs. The number of SMEs will be much higher than now. This is because middle class of emerging countries will tend to become better off and people will have more expended access to information and AI services. It will result higher number of entrepreneurs having savings and salaries for their purposes. Those start-ups having “mortality rate” will decrease, since businessmen will have higher quality of education and access to e-learning. Common trends will move to green-energy, biotechnology, space, AI development, and internet-related technologies. Much companies will appear on the basis of FinTech and development of financial services and applications. Risk assessment will become more complicated. Entrepreneurs will look at new methods of managing their business and forecast of global issues. The importance of environment risks will be included more. Covid-19 showed the world the importance to be prepared for unpredictable risks and have an ability to adapt any process to moving circumstances. This is also possible niche that many small and mid-size companies would fill: delivery of forecasting services. The future of SMEs tends to have positive dynamics in terms of financing, risk management, industries, and tools for running a new start-up [42].

Finally we came up to the case from Business Media Network and its contribution in future of SMEs. BMN created its own ecosystem with small and mid-sized companies:

entrepreneurs may evaluate activity of an enterprise and appraise its performance. Young businessmen have an option to be financed with foreign charities and negotiations as an additional service with mayors of cities and towns. Importantly, BMN acts as the company with proficiency in IT technologies. A lot of students have an appropriate space to develop their innovations and adopt new skills regarding IT and FinTech in BMN. There is an example of student who created a bot that fulfilled information about sites and consequently saved company`s time. A lot of Ukrainian SMEs have already adopted the offered services from BMN, especially, translation, management assistance, IT integration, and finally, financial aid and investments. In fact, Business Media Network directly increase KPI of small companies by assisting them with effectiveness and providing innovative tools. Five main projects are working for connection of the overall process.

Thus, we extracted the main possible trends, emerging industries, and financing of future SMEs. We also considered the example of BMN in terms of activity in Ukraine. The future dynamic of young enterprises tends to be positive as the world is moving to technological development and automatization of supplementary services.

3.3 Identification and prevention of possible challenges in work of SMEs

The last subchapter will be dedicated to identification and prevention of pitfalls and challenges in SMEs' activity. In addition we will consider the case of BMN as its mission is to support SMEs in long-distance.

According to IFC research, the common challenges SMEs face are related to financing and banking issues. There is a metric showing that the number of entrepreneurs ready to take a loan is coming down proportionally to living standards in a country. Economic instability also can play vital role for companies, which recently entered new market. The process of building relationships with small companies also might be costly for banks, as they have to hire additional managers who will fulfill this work. Banks also

tend to consider SME as risky and tend to conservative regarding risk assessments and pricing. These are common factors making SME slow down their activity in terms of finances.

There are some important key-takeaways to address the financial issue. The first is applying market segmentation by banks between costumers and SMEs. Proper segmentation may allow banks to build separate strategy and risk-assessment working with entrepreneurs. The next is efficient technology adoption. We have already mentioned the perspectives, which FinTech industry has. Banking structures can also reconsider their costumer accounts, applications, and AI technologies to make lending processes and risk-assessment faster and precise. The same research of IFC shows that the future trends of government policies tend to be positive. Most respondents noted that many government are going to ease the process of document applications and registrations as well as tax policies and regulations. Relying on the exploration, 50% of banks will tend to invest in technology adoption, 25% in key-economic segments, and the rest ones in product design and internal capacity. It means that those SMEs, which are tracking down their economy' trends and demand will have more chances to be assisted and supported financially. These are the main areas, which can help SMEs become financially supported [42].

We gradually came up to BMN`s example of preventing challenges for SMEs. BMN introduced its own system of assessing businesses by creating the separate project Economy of Trust. The subproject has its own assessment program that calls “the Battery of Trust”. It includes different points of evaluation of company’s activities including legal documents, social projects, and internal interrelation between employees. Thus, the points a company will obtain the more “charged” the battery will become. Another important area of BMN is the influence on rules and regulations by communication via Mayors’ Club. Professional negotiators, who make a linkage between foreign investors and Ukrainian authorities, make taxation process and internal management easier. All of these actions from side of BMN are resulting the improvement of SMEs’ performance and simplifying legal policies.

CONCLUSION

We have revised the role of SMEs in economic development using different approaches and relying on scientific researches and statistics. Our exploration had three chapters, which included evaluation of SME' sizes and measurements in different realms and countries, common dynamics, and future perspective. Ukrainian project Business Media Network was a key-actor during the entire work, this is the company tightly connected to SMEs activity and their development. We have also revised historical roots of SMEs and found that entrepreneurial activity has existed long time ago and it obtained new designation with emerging technologies. We took a look at models to run a businesses and found their prerequisites. The whole work gives us clear understanding of how economies can use and influence SMEs for better results.

In this work we fulfilled our common tasks. We got acquainted with general definitions of SMEs. We defined the SME sizes relying on official metrics and went through statistical data to see the power of SME on economics. We found out common dynamic of SME development among countries. We also compared American and Ukrainian type of policies, which lead to different results and looked at the successful examples of policies leading to economic growth. We depicted the way in which countries will constantly multiply their economic success and analyzed the opinions of economic outsiders to see SMEs perspectives. Identification of the ways to prevent challenges in future SMEs was also met.

The main purpose of the work was attained – we considered positive dynamics of SMEs, which lead to successful economic outcomes and compared them to those, which slow down. During the work, we applied systematic and analytical approach by observing different nations and their entire structures. Methodological approach was applied as a result of empirical and conceptual papers as well as mixed-method approach.

The crucial part of the work reveals the importance of economic institutions and regulations, which define SMEs activity and prosperity of economies. There are two main

types of institutions: inclusive and extractive. The difference is that inclusive regulations allows companies to participate in competition, trade abroad, own private properties, and apply democratic vector of development. One important outcome that economies obtain as a result of inclusive institutions is creative destruction. Creative destruction allows entrepreneurs, scientists, and specialists to invent technologies. These new innovations and breakthrough may affect proper work of old enterprises by creating new supply and demand chain. But on the other hand, novation leads to better living standards, competition, welfare, effectiveness increase, and overall national and economic growth. Inclusiveness of institutions defines free and easy way for SMEs to develop and make contribution in whole society. Extractive institutions will not allow SMEs grow and produce. This type of regulations assumes that society work for a certain mission, and finally “extract” the value. The control of country is usually assumed by one person or autocratic branch. Economies are not able to grow properly and intercommunicate with other states of the world in such conditions. Extractive rules usually made of harsh restrictions, punishments, and do not include any incentives, and this is why this vector is not oriented on effectiveness or efficiency. Government and economic institutions define the way SMEs will exist.

It was also important to look at comparison of SMEs’ activity between the US and Ukraine, and find out economic models of other countries. Proper work of any business will usually depend on incentives, which economies will apply. FDI is fuel for emerging technologies and developments. Proper work of court system creates safe condition for protecting private properties and attract FDIs as a result. These steps are important since they show results of business growth in developed countries.

At the final stage we looked at future dynamic of future SME mitigation of possible pitfalls. Common dynamic tends to be positive and the number of businesses and start-ups will increase. Banking system will also try to fit its services for younger companies. Overall living standards will be better for developing countries, so more people will be able to start run new business. Trends are moving to green economy, forecasting services, neuro-engineering. Thus, we found out future perspectives for SMEs.

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