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## **FEATURES OF THE IMPLEMENTATION OF STATE POLICY TO ENSURE THE ECONOMIC DEVELOPMENT OF SMALL BUSINESSES IN EU COUNTRIES**

### **Summary**

*The material summarizes the logic of modern state policy for the development of small businesses in the countries of the European Union, emphasizing the need for support due to market failures, high start-up risks, information asymmetry, and relatively high administrative costs. It is established that the essence of this type of policy is to create a simple and predictable external environment with equal rules, protection of property rights, convenient electronic services, access to public procurement, and rapid dispute resolution. The content of the tools covers guarantee and credit mechanisms, microfinance, tax incentives for research and development, vouchers for consulting and certification, training and capacity building programs, incubators, accelerators, clusters, logistics hubs and open data, digital technologies translate the interaction of the entrepreneur with the state into convenient channels, provide electronic identification, a single window, open banking and data-driven management, systems based on artificial intelligence technologies suggest steps and automate checks while complying with transparency requirements and the right to appeal, modern public-private partnerships through innovative procurement, regulatory sandboxes and shared infrastructures reduce uncertainty and accelerate the path from prototype to market. Financial and economic measures expand access to capital, reduce fixed costs and open new markets, institutional coherence, public results panels and regular evaluation ensure adjustment of programs, as a result, productivity and innovation increase, employment increases, the tax base expands without increasing pressure, and the resilience of communities and the competitiveness of the economy are strengthened.*

### **Introduction**

Small business is a set of enterprises with a small number of employees and a moderate turnover, based on the private initiative and responsibility of the owner. Its key features are flexibility, speed of decision-making, proximity to the consumer, the ability to work in narrow niches and quickly adapt a product or service to the needs of local markets. Such enterprises form a dense network of economic ties in territories where large corporations are usually not represented. The content of small business activities includes the creation of new jobs, the formation of an entrepreneurial culture, increasing competition, the development of supply chains and supporting the local economy through taxes and investments. Small firms are more likely to

introduce applied innovations, test new business models, improve service quality, create added value in the services sector, creative industries, tourism, trade and processing. They increase the stability of markets, as they distribute risks among many independent players. The role of small businesses in the development of the European Union is to strengthen the internal market, support social cohesion and balanced territorial growth. Thanks to entrepreneurship, economic activity increases in small towns and communities, structural unemployment is reduced, and opportunities for young people and women appear. Small companies are more quickly integrated into new trends, contribute to the digital and green transformation, activate the export of small batches of goods, fuel competition and increase productivity in related sectors. To fully unlock the potential of small businesses, simple and predictable rules, easy access to finance, development of entrepreneurial education, support for innovation infrastructure, participation in public procurement and better access to external markets are important. It is worth strengthening mentoring tools, incubators and clusters, developing digital skills, improving tax administration without increasing the burden. Such steps will help small businesses scale up faster and the European Union to strengthen the competitiveness and resilience of the economy.

Small businesses are a collection of independent enterprises, usually owned and managed by their founders, operating on a small scale and serving specific customer needs. The essence of such a business is quick decision-making, proximity to the consumer, flexibility in changing the assortment and methods of work. The owner usually combines strategic and operational functions, communicates with customers, contractors and employees himself, so feedback becomes a daily source of product or service improvement. Small businesses often arise where a large company is not interested or unprofitable to work, fill local niches, create added value in the local community and form the economic self-sufficiency of people who take on entrepreneurial risk. Small businesses are defined by a set of characteristics, most often the number of employees, the amount of annual revenue and the value of assets. In the European Union, the guideline is a limit of about fifty employees, as well as limited turnover and book value, while the enterprise must be independent of a large group and not control a significant market share. These criteria are necessary to separate small businesses from micro and medium-sized companies, because scale determines typical costs, access to financing and the type of management practices. The threshold for efficiency varies in different industries, but the basic idea is the same: small businesses work in shorter cycles, test hypotheses more often and learn more quickly from their own experience.

The relevance of the topic is determined by the place of small businesses in the economies of the European Union countries, because it is millions of small enterprises that form the basis of employment, labor market mobility, regional cohesion and social integration. Small businesses respond quickly to changes in demand, fill niches that are too small for large companies, spread innovations through partnerships with universities and development centers, support supply chains, and also reduce the dependence of communities on a few large employers. State policy that creates a predictable and fair environment, lowers barriers to entry, ensures the

protection of property rights, simplifies permitting procedures and opens access to public procurement, turns the potential of small businesses into real growth. That is why the features of the implementation of such policies have a direct impact on the competitiveness, innovation and sustainability of the economies of the European Union countries. The importance of proper policy implementation lies in the ability to combine different levels of governance, take into account territorial differences and sectoral specificities, and align national priorities with the rules of the common market. Effective tools include guarantee and loan programs through national development banks, microfinance for start-ups, tax incentives for investment in modernization, support for exports and participation in value chains, development of entrepreneurial skills and lifelong learning. Equally important are electronic services based on the principle of a single window, reducing reporting pressure, dividing tenders into smaller lots for access by small companies, promoting digital transformation and ecological modernization. Policies should be based on transparent objectives, systematic evaluation of results and feedback from business associations, which allows for rapid adjustment of instruments and removal of regulatory obstacles. Today, the importance of this policy is growing even more, as small businesses face many challenges, including high interest rates, energy and logistics shocks, increased competition, the need for digital skills and environmental investments. Without well-thought-out public support, the risks of regional disparities, shadowing, job losses and productivity lags increase. In contrast, consistent and well-implemented policies create the conditions for sustainable growth, broaden the tax base, accelerate the renewal of fixed assets, promote the development of clusters and networks of cooperation, and stimulate entrepreneurship among young people and people changing careers. They help European Union countries combine economic dynamism with social stability, increase competitiveness in the long term and create a culture of innovation that fuels the development of each community.

## **Chapter 1. The essence and content of state policy to ensure the economic development of small businesses**

The essence of the state policy for ensuring the economic development of small businesses is to form a coherent system of goals, principles and mechanisms that create predictable and fair conditions for entrepreneurs to conduct their activities. This is a strategic choice in favor of entrepreneurship as a source of growth, employment, innovation and regional cohesion, and the orientation of state institutions to the needs of small firms in daily operations and in the long term. The policy should guarantee equal access to resources, non-discriminatory rules of the game, transparency and simplicity of procedures, protection of property rights and fair enforcement of law, which minimizes transaction costs and uncertainty. The focus is on entrepreneurship as a social value, supporting initiative and responsibility, creating conditions for rapid market entry, easy expansion of activities, safe closure or restart of the business [1-3]. This type of policy is not limited to a set of benefits; its content includes a well-thought-out architecture of state authorities that give the

entrepreneur a sense of stability, fair competition, and access to convenient state services (Table 1).

Table 1

**Essential principles of implementing state policy on small business development**

<b>Principle</b>	<b>Content and practical steps</b>
Service oriented government	The entrepreneur is treated as a user of public services, so simplicity of procedures, transparency of requirements and convenient interaction channels come first. Registration and licensing are moved online, the once only principle for data submission is applied, government registers become interoperable, and secure electronic identification with qualified electronic signatures is available. All of this sharply reduces time and monetary costs, raises trust and encourages businesses to operate formally rather than in the shadow economy.
Equal access and fair competition	The playing field is level through open rules for all participants, protection of property rights, fast and fair enforcement, and measures that prevent late payments by large buyers. Public procurement becomes accessible to small firms through lot splitting, standardized requirements and transparent selection criteria. This allows newcomers to enter value chains without discrimination and reduces dependency on a few dominant contractors.
Financial accessibility and additionality of public funds	The state corrects market failures through guarantee schemes, microfinance, portfolio guarantees, co financing of modernization and greening, as well as tax incentives for research and development. Public money does not replace private investment. It reduces the risk of the first step, making it feasible to upgrade equipment, adopt digital solutions, obtain certification and enter new markets.
Capacity and knowledge development	Policy invests in the skills of entrepreneurs and teams, in mentoring, business incubators, accelerators, clusters and technology transfer centers. Continuous learning programs in management, sales, digitalization and data work are supported. Special attention goes to peripheral areas and groups for whom starting a business is more difficult, which strengthens inclusion and spreads good practices across regions.
Institutional coherence and effective governance	National and local levels align objectives, indicators, responsibilities and timelines. Ex ante and ex post impact assessments are used, and open data on results are published. Mechanisms for continuous feedback from business associations work in practice, independent audits are conducted, and instruments are quickly adjusted when effectiveness is low. This coherence safeguards value for money and durable outcomes.

*Source: formed by author*

The content of the regulatory component of this policy covers the entire life cycle of an enterprise from registration to possible exit from the market. Priority is given to simplifying permit and licensing procedures, reducing the number of contacts with government agencies, digitalizing services, and introducing the principle of tacit consent where it is safe for public interests. The tax environment should be neutral and stimulating, with predictable rates and payment schedules, with minimal administrative burden, and clear rules for investments in modernization. It is important to ensure effective tools for pre-trial dispute resolution, fast and fair

insolvency procedures, develop competition, combat late payments by large counterparties, open access for small businesses to public procurement through the division of tenders into parts and transparent selection criteria. It is also important to remove barriers in the internal market and reduce regulatory asymmetries between regions so that entrepreneurs can scale their activities without unnecessary obstacles [4–6].

The financial and economic component of the policy ensures small businesses' access to capital in forms that correspond to the stage of development of the enterprise and the level of risk. Its core consists of guarantee instruments through development banks and commercial institutions, portfolio guarantees and credit insurance, microfinance for new entrepreneurs, soft loans for investments in equipment and digital solutions, as well as co-financing of innovative projects and support for participation in international programs. Grant vouchers for consulting and training, support for exports and entry into new markets, instruments for capitalization of young firms, tax incentives for research and development, energy-efficient and green projects play an important role. The state should develop entrepreneurial infrastructure, in particular business incubators, accelerators, industrial parks, creative spaces, logistics hubs, digital platforms for sales and partner search. All these elements work as an integrated ecosystem that accelerates capital turnover, reduces the cost of financing and helps enterprises survive shocks and recover quickly (Table 2).

The human resources, innovation and technological component fills the policy with living content, since it is people, knowledge and the ability to constantly update that determine the long-term competitiveness of small businesses. The state provides access to high-quality entrepreneurial education, retraining and advanced training programs, supports dual training, the development of mentoring and experience exchange networks. Cooperation with universities and research centers is stimulated, the development of technology transfer centers and laboratories, assistance with the implementation of quality standards and product requirements in various markets. Particular attention is paid to digital transformation, the implementation of e-commerce, process management systems, cybersecurity, as well as the green transition, which includes energy efficiency, resource conservation, circular business models and responsible supply. This reduces costs, increases productivity, opens up new niches and allows even the smallest firms to integrate into global value chains. The institutional and managerial component determines how the policy is designed, implemented and improved. A clear system of strategic planning at the national and regional levels is necessary with the coordination of objectives, performance indicators and responsibilities of the authorities. Inclusive mechanisms for consultations with business associations, industry associations, educational and scientific institutions, regional and local communities are important, which allows for timely identification of bottlenecks and updating of tools. The system should be based on high-quality data, regular assessment of the impact of regulations before and after adoption, transparent reporting, independent audit of support programs, rapid correction mechanisms in case of inefficiency. It is important to ensure that the policy is consistent with the

rules of the common market, the principles of fair competition and good governance, and to minimize the risks of abuse, conflict of interest and excessive administrative burden [7–8]. Only such manageability guarantees sustainable results, the trust of entrepreneurs and the rational use of public funds.

Table 2  
**Financial and economic aspects of ensuring the development of small businesses**

Aspect	Public support mechanisms	Economic effect for small business	Result evaluation indicators
Access to capital and liquidity	Guarantee schemes through development and commercial banks, microcredit for first time entrepreneurs, portfolio guarantees and partial interest compensation instruments, concessional loans for equipment modernization and working capital	Lower cost of borrowing and mitigation of information asymmetry between the entrepreneur and the lender, faster launch of investment projects and stabilization of cash flows during seasonal fluctuations. Greater ability to bridge liquidity gaps, higher investment activity and new resources for entry into additional sales markets.	Share of approved applications and the average effective lending rate, time from application to disbursement, growth of investment in fixed and intangible assets, survival rate of young companies during the first three years, volume of private funds mobilized per unit of public money.
Tax and budget incentives and cost reduction	Accelerated depreciation and tax allowances for research and development, vouchers for consulting and certification, grants for energy efficiency and digitalization, reimbursement of a share of software costs and team training	Higher labor and capital productivity thanks to faster renewal of fixed assets, larger margins through lower fixed costs, creation of a safety cushion for experiments with new products and sales channels. Incentives shift the cost structure toward investment, which strengthens competitive advantages over a longer horizon	Growth of gross value added per employee, investment intensity in modernization, additioality coefficient of private contributions, reduction of the administrative cost share in revenue, dynamics of net operating cash flow, uptake of vouchers and grants by region and sector

*Source: formed by author*

The need to support small businesses arises from the combination of two realities: on the one hand, small businesses are the main source of jobs, competition, innovation and regional dynamics, on the other hand, they are systemically weaker than large players in access to resources, information and market power. When market entry is available to many entrepreneurs, competition intensifies, product range renewal is accelerated, the quality of services and goods increases, and local communities receive a variety of business models and new employment opportunities. However, it is at the start-up and growth stages that small businesses face the highest risks and costs, which large companies easily distribute across large-scale activities, which

creates unequal conditions and inhibits natural entrepreneurial initiative. State support is needed to level the playing field, to remove unnecessary barriers and to convert the energy of entrepreneurs into sustainable growth in productivity, income and the tax base, rather than to artificially maintain unviable projects. This is a strategic investment in an environment where it is easier for an entrepreneur to start, it is safer to take risks and it is faster to grow.

The key argument in favor of support is to correct market failures that disproportionately affect small firms. Banks and investors assess the risks of young enterprises worse, there is less information about them, and the collateral for loans is weaker, so the cost of capital for small businesses is higher and access to it is limited. Administrative requirements have a fixed cost, which is relatively higher for small companies, which distracts time and money from development. In relations with large buyers, small suppliers often have a weak negotiating position, face payment delays and closed selection procedures, and in public procurement, large lots and complex conditions cut off good-faith but small participants. Targeted guarantee instruments, microfinance, simplification of permit procedures, division of procurement into smaller parts, fast dispute resolution procedures, transparent electronic services and fair rules for all eliminate precisely these bottlenecks, so support does not replace the market, but returns it to efficiency. The second group of motives concerns long-term productivity growth, innovation and knowledge dissemination. It is easier for small businesses to experiment, but it is more difficult to finance the modernization of processes, the implementation of digital solutions, management practices and quality standards. This includes co-financing programs for equipment upgrades, vouchers for consulting and training, support for technology transfer centers, incubators and accelerators, mentoring networks and clusters, which create the effect of shared access to knowledge and infrastructure. Such tools have positive externalities, the entrepreneur invests in his own competencies, and the wider ecosystem benefits, because technologies spread faster between industries and regions. When the state reduces barriers to innovation and helps convert ideas into viable products and services, labor productivity increases, worker incomes grow, new sales and export markets appear, and the economy becomes more flexible and diversified.

In the end, the essence and content of state policy for small businesses are not separate actions and temporary benefits, but a holistic logic of interconnected elements that work together and reinforce each other. Regulatory clarity and simplicity create the ground for investment, financial instruments provide a resource for growth, infrastructure and knowledge provide the ability to change, institutional manageability and constant assessment guarantee adaptation in response to challenges. This combination allows small firms not only to survive in a changing environment, but also to systematically increase productivity, develop new markets, create jobs and enrich local communities. For the countries of the European Union, this means a more sustainable and innovative economy, a balance between economic dynamism and social responsibility, increasing the well-being of citizens and strengthening competitive advantages in the global economy.

## **Chapter 2. The impact of digital technologies on rethinking state policy for the economic development of small businesses in EU countries**

Digital technologies are changing the very logic of state policy for the economic development of small businesses in the countries of the European Union, as they translate the interaction of an entrepreneur with the state into a mode of continuous, convenient and cheap in terms of time and money communication. When registration, licensing, reporting and access to public services are carried out through single electronic windows, with electronic identification and qualified electronic signature, then transaction costs drop sharply and unnecessary queues disappear. The principle of one-time data submission, interdepartmental compatibility of registers and open application interfaces change the role of the state from a document controller to a data orchestrator, and this is especially important for small firms with limited administrative resources. Digital procurement and standardized catalogs of goods and services make participation in public tenders more accessible, because the division of lots is combined with transparent electronic procedures and clear selection criteria. As a result, policy ceases to be a set of bureaucratic steps, turning into a service with clear routes, where the entrepreneur spends hours, not weeks, on the necessary actions, which increases the level of trust and stimulates the exit from the shadows. Financial markets, under the influence of digital technologies, have received new data channels and new risk management models, so government policy on small business access to capital is also being rethought. Open banking, instant payments, trading platforms and electronic systems form digital traces of sales and payments, which allows lenders to build more accurate risk assessment models for enterprises without a long credit history. Instead of disparate programs with common criteria, the state is moving to targeted guarantees and co-financing embedded in digital channels, where the entrepreneur can receive a decision on the day of application. At the same time, policies must ensure a level playing field across platforms, transparency of ranking algorithms, non-discriminatory fee policies, data portability, and easy transfer of transaction history between providers, otherwise the digital advantage turns into a digital barrier. When government guarantees, tax incentives, and information services are built into the e-commerce and digital finance environment, small businesses can upgrade equipment faster, enter new markets more easily, and experience cash shortages less painfully. Digitalization has provided the tools for data-driven policies, allowing them to move away from one-off surveys to live dashboards and rapid adjustment cycles [9–11]. The combination of administrative registries, open data, anonymized transaction analytics, and telemetry from production processes creates the opportunity to conduct timely assessments of the impact of regulations, track the uptake of support programs, and see bottlenecks in real time. This encourages the use of regulatory sandboxes, experiments with results-oriented regulations, and pilots with rapid feedback, which is important for areas where innovation is outpacing traditional procedures. AI-based technologies help identify common application errors, guide entrepreneurs on next steps, and automate compliance checks, but policies must protect personal data, ensure the explainability of automated decisions, and provide a right to appeal. When public authorities have digital dashboards and

uniform data quality standards, decisions are based on facts rather than intuition, which increases cost-effectiveness and trust in the business community (Table 3).

**Table 3**  
**Key digital transformations in small business operations**

Digital transformation area	Specific changes and effects
Electronic government services and one stop shop	Registration, licensing and reporting are completed through online services with secure electronic identification and qualified signatures. Data are submitted once and then reused without extra certificates. Automatic checks and notifications reduce errors, while transparent application statuses let firms plan operations without interruptions or unnecessary visits to public offices.
Electronic finance and access to capital	Open banking, instant payments and e invoicing create reliable digital footprints of sales and settlements, which improves risk assessment for firms that lack a long credit history. With state guarantees integrated into digital channels, an entrepreneur receives decisions faster, finances modernization more easily, and synchronizes bookkeeping and cash operations with tax services. Liquidity gaps become less painful and growth investments become more realistic.
Electronic procurement and sales platforms	Participation in public tenders is simplified through e marketplaces, lot splitting and standardized product and service catalogs, which opens doors for small suppliers. At the same time firms expand sales on commercial marketplaces, gain real time demand analytics, test new offers and enter other countries of the European Union without large costs for a physical presence.
Data driven management and systems based on artificial intelligence	Data from sales, production, logistics and customer service are merged into dashboards that support fact based decisions and rapid strategy correction. Systems based on artificial intelligence suggest next best actions, automate compliance checks, help forecast demand and support pricing. This raises productivity, shortens cycles and reduces human error, while preserving explainability and the right to appeal automated decisions.
Cyber resilience, cloud adoption and green digitalization	Data protection, backups, multi factor authentication and regular audits become standard practice, enabling safe online work and collaboration with large clients. Cloud services lower infrastructure costs, while the internet of things, digital twins and smart meters help save energy and materials. These tools speed up environmental modernization, improve reliability for partners and strengthen the reputation of small firms in value chains.

*Source: formed by author*

Human capital has become a central element of digital transformation, so small business development policies in the European Union are shifting from simple subsidies to capacity building. Entrepreneurs need basic digital skills, cyber hygiene skills, the ability to work with cloud infrastructure, e-commerce, office process automation, marketplaces, data management and artificial intelligence technologies. The answer is digital transformation vouchers, checklists and

solution builders, networks of digital advisors, shared digital workshops, prototyping labs, and public catalogs of proven solutions for different stages of growth. Modern policies take into account inequality of access to infrastructure, so they invest in broadband Internet and next-generation mobile communications in rural and peripheral communities, combining this with support for shared logistics and creative spaces. When the state helps not only to buy technology, but also to learn how to use it, the digital gap between large and small companies is reduced, productivity increases and a wider layer of firms appears, ready to enter transnational markets.

Intellectual activity and innovation are the source of long-term growth of small businesses, as they are the ones that transform knowledge into new products, services, processes and business models. Small firms are more difficult to compete on scale, but they are able to compete on learning speed, flexibility and creativity. When an entrepreneur systematically invests in knowledge, design, data management, digitalization of operations and work with customer experience, every hryvnia of investment returns as increased productivity, higher margins and a more stable customer base. Innovation reduces costs, shortens cycle time, opens niches with higher added value, allows you to enter new markets and better survive shocks. Intellectual activity creates positive externalities for the entire environment, because ideas and competences spread through networks of suppliers, customers and partners, so every step forward of an individual firm pulls up the entire local ecosystem. Despite the critical importance of innovation, small businesses have objective barriers that restrain creative investments [12–15]. These are more expensive capital and limited access to financing, information asymmetry between the entrepreneur and creditors, lack of reserves for risky experiments, lack of time and skills for systematic work with data, quality standards and protection of intellectual property rights. Administrative procedures have a fixed cost, which is relatively higher for small teams, so innovative projects are often postponed. Added to this is the problem of access to sales markets, where large tenders and compliance requirements become impassable without special preparation. Under such conditions, even a strong idea may not turn into a commercial result, and entrepreneurs postpone decisions to the future, losing the window of opportunity. State support can improve innovation dynamics precisely because it addresses the most painful points and reduces the risk of each step of the experiment. Guarantee instruments, microfinancing and co-financing of research and development make the first prototype, pilot or equipment modernization available. Vouchers for consulting, engineering and design services, support for certification and compliance, reimbursement for patenting and trademarks allow small firms to close critical competence gaps. Public procurement of innovation with division of lots creates guaranteed demand for new solutions, and regulatory sandboxes and rapid testing procedures reduce time to market. When these tools are combined with simple electronic services, open data, interoperable registries and AI-based technologies for prompting and automated verification, the innovation cycle becomes shorter and cheaper (Table 4).

Table 4

**Introducing innovations through modern public-private partnerships  
in the field of small business development**

<b>Partnership form</b>	<b>Role of the state and development institutions</b>	<b>Contribution of the private sector and small business</b>	<b>Expected results and evaluation</b>
Innovation oriented public procurement and pre-market consultations	Creation of demand for new solutions through challenge briefs and need roadmaps, tender lot splitting to enable access for small firms, open technical specifications and transparent selection criteria, electronic platforms	Development of prototypes and pilots, co financing of part of research and development costs, rapid product adaptation to buyer requirements, preparation for certification and service support	Higher share of innovative products in procurement, shorter time from idea to first contract, number of prototypes that moved into serial supply, revenue growth from public and municipal clients, user satisfaction with new solutions and cost savings for the buyer
Regulatory sandboxes and test environments	Safe conditions for trials, accelerated permits for limited series, open datasets and interoperable registers, requirements for personal data protection and explainability of automated decisions in systems based on artificial intelligence	Testing of financial, industrial, medical and green technologies in controlled settings, provision of telemetry for joint analytics, co financing of independent validation and readiness to scale after safety and effectiveness are confirmed	Shorter time to market and lower compliance costs, number of sandbox participants and share of projects that received approval to scale, number of updated norms, user trust levels, economic effect for small firms from accelerated access to customers.

*Source: formed by author*

An important condition for success is investment in people's capabilities and network interaction. Training programs for entrepreneurs and teams, mentoring networks, accelerators and incubators, clusters and technology transfer centers provide access to knowledge, laboratories, testing facilities, partnerships with universities and large customers. Support for broadband Internet, digital workshops, shared logistics and creative spaces lowers the threshold of entry into complex projects and makes high technologies closer to small companies. When the state does not just provide funding, but helps to learn how to work with data, with cloud services, with e-commerce, with cybersecurity, with analytical tools and with technologies based on artificial intelligence, intellectual activity turns into a routine of daily operational excellence, rather than one-time attempts. For support to truly enhance innovation, it must be transparent, user-friendly, sector-neutral, with a clear principle of additionality of private investment and regular evaluation of results. Funds should go to what reduces uncertainty and increases the likelihood of commercial success, rather than replacing market incentives. There needs to be constant feedback from entrepreneurs, rapid adjustment of programs, open selection criteria and public dashboards of results. In this logic, intellectual activity and

innovation become the natural path of small business development, and state support acts as a catalyst that accelerates the diffusion of knowledge, helps companies overcome first-step barriers and puts local ecosystems on a trajectory of higher productivity, exports and sustainable growth.

## Conclusions

The role of small businesses in the economy is multifaceted. They create a significant share of the first jobs, activate competition, revitalize the streets of cities and villages, increase the diversity of goods and services, develop local supply chains and tighten related activities. Due to their proximity to the client, small businesses quickly notice changes in demand, are the first to try out new formats, transfer best practices between industries and regions. Thanks to this, society receives a more flexible and resilient economy that adapts better to shocks, reduces territorial imbalances and strengthens local budgets by expanding the tax base without raising rates. At the same time, small businesses have natural limitations associated with a lack of capital, a narrow staff and the need for the owner to do many different tasks at the same time. This increases sensitivity to fluctuations in demand, to changes in regulation, to payment delays and to unforeseen costs. That is why simple and predictable rules, convenient electronic services, fair competition, accessible financing tools, and the opportunity to learn modern management, sales, and digitalization practices are important for its development. When such an environment exists, small business realizes its main essence, transforming the personal initiative and responsibility of the owner into a stable income for the family, jobs for the community, and long-term growth for the economy.

Government support for small businesses is needed because small businesses create a large share of jobs, increase competition and respond quickly to changes in demand, but at the same time face higher risks and barriers to entry. They have limited access to finance, information and distribution networks, administrative costs are relatively higher and their negotiating position is weaker. Support should not preserve inefficient projects, but its aim is to correct market failures, level the playing field and unleash entrepreneurial potential, which ultimately increases productivity, employment and the well-being of communities. The essence of such a policy is to create a predictable and fair environment for entrepreneurship, where property rights are protected, rules are simple, transparent and equally applicable, and government services are convenient. This includes simplifying registration and permitting procedures, electronic services based on the principle of a single window, reducing the reporting burden, effective dispute resolution and access to public procurement through the division of lots. It is important to coordinate goals and instruments at the national and local levels, regularly assess the impact of decisions and provide constant feedback to entrepreneurs, which allows for the rapid removal of regulatory barriers and support competition. The content of the instruments covers financial and non-financial solutions that correspond to the stage of development of the company. These include guarantee mechanisms and microfinancing, preferential loans for equipment modernization, tax incentives for research and development, co-financing of digital and environmental projects, support for exports and entry into new markets.

Vouchers for consulting and training, business incubators and accelerators, clusters and mentoring networks, technology transfer centers, logistics hubs and creative spaces are added, which reduce the threshold of entry into entrepreneurship and accelerate the spread of knowledge and practices.

Support for small businesses is needed because it has a significant multiplier effect on the well-being of society. When it is easy for entrepreneurs to get advice, financing and access to markets, when the rules are simple and equally applicable, when there is an ecosystem of knowledge and partnerships, then productivity increases, the share of high value added increases, export capacity is strengthened and regional imbalances are reduced. Therefore, in essence, this forms a broader and more stable tax base without increasing tax pressure, allows for investment in education, healthcare, transport and municipal infrastructure, which again fuels entrepreneurship and contributes to a long growth trajectory. Support should be based on transparency, simplicity, sector neutrality, regular assessment of results and a willingness to quickly adjust instruments, then it does not distort competition, but reveals the potential of people and communities. In this logic, helping small businesses is not a privilege, but a smart investment in the future of the economy and in the stability of society.

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