

UDC 330(477):355.01(470+477)"20"(045)

DOI: 10.57111/econ/1.2024.18

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The first year's impact of the full-scale war on Ukrainian business

■ **Abstract.** The relevance of the research is stipulated by the need to analyse the impact of military operations on the economic environment of Ukraine, in particular on business, constituting a significant part of the Ukrainian economy. The purpose of the article was to study the first year's impact of the full-scale war in Ukraine on the state of Ukrainian business, to identify the main challenges and opportunities faced by business during the war, and to provide recommendations for stabilizing the economic environment in Ukraine. Methods of secondary information analysis have been used to obtain a generalized picture of the impact of military operations on Ukrainian business by analysing the reports of international and Ukrainian organizations. Statistical analysis has become the basis for evaluating dynamics and key economic indicators. The state of Ukrainian business during the Russian-Ukrainian war has been analysed. The impact of the conflict on business has been studied and recommendations for stabilizing the economic environment in Ukraine have been provided. The dynamics of gross domestic product from 2013 to 2022 and the negative impact of the war on the economy have been analysed. The ways of business adaptation to new conditions, direct losses of the industrial sector and new opportunities for business during the war have been studied. State aid measures to support business and strategic directions for overcoming the crisis and restoring the economy after the war have been described. The results of the study give evidence of a significant negative impact of the Russian-Ukrainian war on Ukrainian business, which

Article's History: Received: 04.11.2023; Revised: 05.02.2024; Accepted: 22.03.2024

Suggested Citation:

Gavrysh, O., Gavrysh, Iu., Matiukhina, A., & Vasylets, I. (2024). The first year's impact of the full-scale war on Ukrainian business. *Economics of Development*, 23(1), 18-29. doi: 10.57111/econ/1.2024.18.

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is traced in a fall in gross domestic product, a decrease in the level of investment, an increase in unemployment and infrastructure destruction. The proposed recommendations and development strategies include the need to strengthen state support for business, stimulate investment, reform the economy to diversify and increase its resistance to external shocks. The recommendations are the result of scientific analysis and can serve as a basis for practical application by enterprises during the war and after its end

■ **Keywords:** adaptation; challenges; economy; entrepreneurship; innovations; martial law; opportunities

■ INTRODUCTION

The first year of the full-scale war hit various spheres of the national economy of Ukraine, which had a direct impact on the state of Ukrainian business. This impact is evident in huge humanitarian and economic losses as well as significant challenges that players in the Ukrainian market had to face. The study of the impact of military operations on Ukrainian business has become the subject of research of many scientists.

V. Dykan & N. Frolova (2022) identified the key directions and tools for ensuring the stable functioning of small and medium-sized business entities in wartime. In their work they looked at various strategies that can be used to ensure business stability in wartime, including various forms of financing and investment. O. Panukhnyk (2022) proved that the complex of realized and potential risks in the Ukrainian business environment is increasing, which cannot be compensated by direct state funding. She studied various risks caused by the war and their impact on the business environment. This research is relevant as it helps businesses better understand the risks associated with military operations.

T. Melnyk (2023) singled out financial instability, reduced market demand, increased risks and losses, insufficient access to financial resources and reduced investment attractiveness among the main problems faced by Ukrainian business during the war. The author examined various factors influencing the stability of business in the conditions of war and proposed possible solutions to overcome them. The study provides practical recommendations for businesses facing the challenges of wartime. T. Murovana (2023) concluded that the business sector of Ukraine is vulnerable to war events. Big business shows greater resilience, while small and medium-sized enterprises (SMEs) suffer significant losses. She studied the war impact on different sectors of the economy and concluded that large companies are better adapted to war conditions than SMEs. This research helps to understand how hostilities affect different sectors of the economy. In their scientific works, the above-mentioned authors analysed directions aimed at the recovery and stabilization of business in wartime conditions and pointed out the barriers, preventing the recovery of entrepreneurial activity. Research is important for understanding the impact of military operations on Ukrainian business and finding ways to adapt to these conditions.

Sectoral studies of the war impact on business and economy as a whole have also been conducted. For example, O. Koba (2022) considered the impact of the war on the construction business and pointed out the importance of this industry, which plays a key role in the restoration of the damaged infrastructure. Researcher studied the war impact on the construction sector and suggested strategies for post-war recovery. V. Danylenko-Kulchytska (2022)

examined in detail the changes, taking place in the field of hotel and restaurant business and proposed possible strategies for its recovery. T. Omelchenko (2022) raised an important question of Ukrainian enterprise competitiveness in the conditions of the war and suggested ways to increase it after the victory in the war. This study looked at factors, affecting the enterprise competitiveness in wartime conditions and proposed strategies to overcome them. Y. Zavodnyi & O. Stakhiv (2023) focused on the impact of war on women's entrepreneurship in their study. They examined the war impact on women entrepreneurs, their opportunities and challenges they face and provided recommendations for protecting their businesses in wartime, including adaptation and survival strategies.

Y. Redziuk (2023) focused on the conditions, problems and factors inhibiting the development of business activity in Ukraine. The author analysed the war impact on business environment, obstacles preventing entrepreneurship development and formulated proposals for improving the system of business activity development in the Ukrainian socio-economic environment, including recommendations for policy, legislation and infrastructure. O. Moskalenko (2022) raised the issue of Ukrainian enterprise competitiveness in the conditions of the war and proposed ways to increase the competitiveness of Ukrainian companies after the end of the war. The author considered factors affecting competitiveness in war conditions and proposed strategies to overcome them.

The purpose of this work was to identify main challenges and opportunities faced by Ukrainian business due to the Russian-Ukrainian war and to provide recommendations for the successful stabilization of the Ukrainian economy. Although there is a number of scientific papers on the given topic, the present research focuses particularly on studying the war impact on Ukrainian business and formulating specific recommendations for ensuring stability and development of the economy in the conditions of the conflict as well as giving advice on restoring economic stability according to the analysis. This will help to determine a strategic course of actions for enterprises and Ukrainian authorities in order to reduce negative war consequences and preserve the economic stability of the country. The scientific novelty of this paper is stipulated by the integration of fresh data and expert conclusions in the study of the first year's war impact on Ukrainian business.

■ MATERIALS AND METHODS

The study the first year's impact of the full-scale war on Ukrainian business has been conducted using various materials and methods. The application of secondary data has contributed to a general understanding of the impact of the Russian-Ukrainian war on Ukrainian business. These data

have been gathered from various sources, including reports from international and Ukrainian organizations, the Centre for Economics and Business Research (CEBR), the World Bank, the National Bank of Ukraine (NBU), as well as reports from Ukrainian economic research institutions. The analysis of these reports provided information on the impact of the war on the global economy, including a decline in economic growth, an increase in inflation, an increase in energy and raw material prices, supply chain disruptions and logistics challenges. The consequences of the war for Ukraine have also been identified, including a fall in gross domestic product (GDP), a decline in business investment, an increase in unemployment, the destruction of critical infrastructure and overall changes in the economy structure.

The statistical data obtained from the reports made it possible to analyse changes in production indicators, investments, employment and other macroeconomic indicators. This allowed us to obtain specific digital data for analysing the war impact on the economy. In particular, the reports of the NBU have been used. Such sources provided accurate information about the country's economic state – the inflation rate, GDP indicators and other economic indicators. The report of the Kyiv School of Economics on direct damage to infrastructure from the destruction caused by Russia's military aggression against Ukraine indicates the scale of destruction during the first year of the war (Report on direct damage..., 2022). These reports are valid sources as they provide verified and relevant information. The data are important for understanding the consequences of military conflict and its impact on the country's economy as well as long-term consequences for its development.

The works of other scientists have also been used to analyse the situation. Previous studies and analyses have provided valuable insights and the basis for understanding the impact of military conflicts on the economy. Monitoring of news publications and social editorials made it possible to analyse the reaction of business to the war and its adaptation to new conditions. Analysing the activity of Ukrainian enterprises using the method of wartime analysis made it possible to study certain instances of the war impact on business. As a result, cause-and-effect relationships have been discovered between various events associated with a full-scale war. The abstract-logical method made it possible to gain a deeper understanding of the impact of the Russian-Ukrainian war on Ukrainian business and to provide recommendations for overcoming and optimizing the crisis after the war ends on the territory of Ukraine and to draw major conclusions of this study. Due to a comprehensive approach and the use of various data sources and several methods of analysis, the study made it possible to comprehensively assess the first year's impact of the full-scale war and develop main recommendations for the recovery of the Ukrainian economy.

■ RESULTS

With the beginning of the Russian aggression against the Autonomous Republic of Crimea and the Donetsk and Luhansk regions in 2014, the economy of Ukraine, despite significant losses, was relatively stable and quickly moved from the phase of crisis to the phase of recovery growth. In 2013, during the Revolution of Dignity, it was forecasted that the economic situation in Ukraine would be very

unstable. The growth of the Ukrainian GDP in 2013 was equal to zero. The country's government of that time predicted a reduction of the Ukrainian economy in 2014 by 3%, and in the middle of 2014 new government officials, international financial organizations and experts made a different forecast, which was worse than the previous one: a reduction of Ukraine's GDP by 8-10%. Later the situation began to improve, a fall in GDP to 6-6.5% was calculated. In the third quarter of 2014 the State Statistics Service of Ukraine provided data on the fall in Ukrainian GDP, which amounted to 5.1% compared with the last year. Industrial production fell by 9.4%, whereas agriculture and its output increased by 7.5% (Zanuda, 2014).

In 2022, Russia invaded the territory of Ukraine, which will lead to long-term consequences. According to the NBU, the real GDP of Ukraine decreased by 29.1% in 2022 (NBU commentary..., 2023). The NBU reported this indicator to be the deepest annual decline in the economy in the entire history of Ukraine. However, the indicator turned out to be better than predicted: at the beginning of the invasion experts expected a drop in GDP of 40-50% (Ministry of Economy preliminarily estimates..., 2023). According to data presented by CEBR (2022), due to the confrontation with Russia during 2014-2020 Ukraine did not produce output worth 280 billion US dollars. This is approximately 40 billion dollars in losses every year, which is almost 20% of the country's pre-conflict GDP. As it was reported on the 10th of February 2022, the loss of Crimea in 2014 cost Ukraine 58 billion dollars in GDP, while the ongoing conflict in Donetsk and Luhansk regions resulted in annual losses of 14.6 billion dollars from 2014 to 2020. The annexation of Crimea in 2014 cost Ukraine approximately 8.3 billion US dollars annually.

Despite the difficult circumstances in which Ukrainian companies have found themselves due to military aggression, most of them keep on looking for ways to continue their activities. Kyivstar Business Hub Association has conducted a study of the state of Ukrainian business during the war: How medium, small and large companies feel (2022). Based on the analysis and data collection by the association, the following results were obtained – until August 2022, the majority of micro-companies worked with some restrictions (42%), 20% of them worked without any changes in their activities, 8% were forced to suspend their activities, 17% are resuming their work, and 5% are only planning to do so. 7% of micro-companies had to completely stop their activities. As far as small businesses are concerned, 50% are operating with restrictions, 25% are continuing to operate without any changes in their activities, 15% are resuming their work, 2% are in the planning phase of recovery, 5% have suspended their operations, and 4% have completely ceased operations. More than 50% of medium-sized companies work with restrictions, 33% continue to work in their usual mode, 11% are in the process of resuming their activities. Only 1-2% of them were forced to complete stop or temporary suspend their activities. As for large companies, the operation of about half of them (49%) has not changed, 31% have implemented restrictions, 4% have closed their business, and the other 4% have temporarily suspended their activities. Nevertheless, 7% of companies are resuming their activities and 3% are considering this possibility. Overall, the bigger the company is,

the easier it is to adapt to the crisis. Most companies use a combined mode of operation, including online and offline formats. This model works in 55% of medium-sized, 52% of large, 45% of small enterprises and 41% of micro-companies. A third of companies do business only offline. 20% of micro-companies, 12% of small companies, 10% of medium-sized companies and 20% of large companies work remotely. The smallest number of companies work partly from abroad: 5% of micro-companies, 1% of small companies, 1% of medium-sized companies.

Also, according to the results of the first 6 months of 2023, 12.8% of enterprises have almost ceased operations. In terms of the size of enterprises, 9% of micro-enterprises point out an increase in business results during 6 months of the current year and 22.7% of enterprises indicate compliance with expectations (The state and needs of business..., 2023). Advanter Group and the League of Business Clubs of Ukraine have conducted a study of Ukrainian business during military operations using an online survey method (Kulbachnyi, 2022). Direct losses of small and medium-sized businesses in Ukraine during the first two weeks of the war are estimated from 30 to 60 billion US dollars, including those that suffered losses due to relocation, reduced work volumes and ceasing operations. Losses of Ukraine's GDP due to business relocation are estimated at 9%. At the same time, 9% of SMEs in Ukraine have completely or partially stopped their activities. 2% of Ukrainian enterprises have already relocated, 7% of enterprises are in the process of relocation, 12% have partially relocated, 31% have not managed to relocate and 48% find relocation senseless.

The data given below are calculations of the Kyiv School of Economics (Report on direct damage..., 2022). The data interpret information on direct losses of the industrial sector of Ukraine caused by the war. In the study area, large and medium-sized private enterprises suffered 5,270 cases of damage, while small private enterprises and individual entrepreneurs – 78,060. State enterprises suffered as well and they amount to 1,665. Overall, 14 large and medium-sized private enterprises, as well as 18

state enterprises have been destroyed. Estimated losses in US dollars are 4.7 billion for large and medium-sized private enterprises, 2.1 billion for small private enterprises and individual entrepreneurs and only 0.2 billion for state-owned enterprises. As far as damaged facilities are concerned, 30 cases are registered among large and medium-sized private enterprises and 330 cases among state-owned enterprises. Direct asset losses in US dollars account for 1.6 billion for large and medium-sized private enterprises and 0.7 billion for state-owned enterprises. On the whole, 44 objects of large and medium-sized private enterprises and 348 state-owned enterprises have been damaged. Asset losses amount to 6.3 billion for large and medium-sized private enterprises, 2.8 billion for small private enterprises and individual entrepreneurs, and 0.8 billion for state-owned enterprises.

Ukrainian enterprises affected by the war can be conventionally classified into two categories. The first category – enterprises that were destroyed or damaged as a result of shelling of military facilities and populated areas. The majority of such enterprises are either located in areas adjacent to the front line or are in active combat zones. However, there is a large number of damaged enterprises throughout the territory of Ukraine, which were destroyed on purpose or were damaged by debris. The second category – enterprises that were deliberately hit as part of strategic missile attacks. These are mainly objects of transport and energy infrastructure, as well as military and dual purpose production. These facilities are damaged throughout Ukraine.

The data given in Figures 1 and 2 are calculations of the Kyiv School of Economics, namely the report on the destruction of certain objects (Report on direct damage..., 2022). Open data provides information on the most affected industrial assets. Figure 1 shows that the most affected industries are metallurgy (mostly concentrated in Zaporizhzhia), machine building and oil refining. These industries suffered the largest financial losses. Figure 2 shows the TOP-10 companies that suffered losses resulting from military operations.

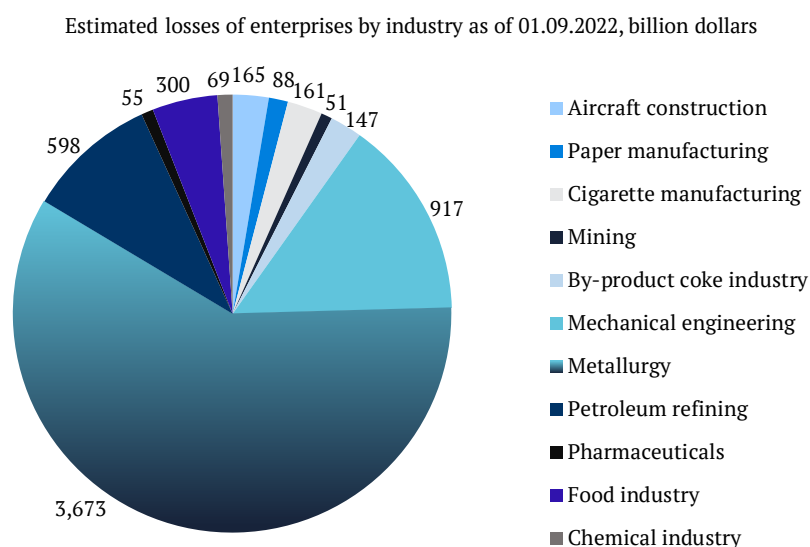


Figure 1. Enterprise cost estimation by industries

Source: developed by the authors based on the Report on direct damage to infrastructure from the destruction caused by Russia's military aggression against Ukraine as of September 1, 2022 (2022)

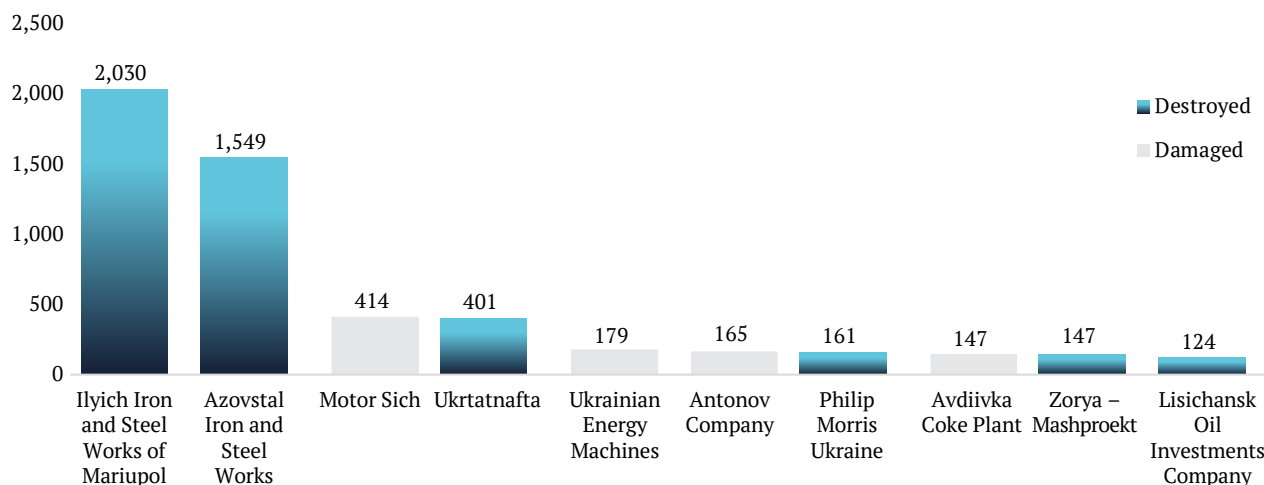


Figure 2. TOP-10 Ukrainian enterprises that suffered the biggest damage, billion dollars

Source: developed by the authors based on the Report on direct damage to infrastructure from the destruction caused by Russia's military aggression against Ukraine as of September 1, 2022 (2022)

The full-scale war in Ukraine caused significant damage to the economy and society. During the war Ukrainian business faced a number of challenges, including reduced production due to limited access to resources and markets, currency instability and increased security costs. Incurred revenue loss and business risk have also increased due to the threat of armed conflicts and the unpredictability of the economic environment. As a result of the military aggression, the infrastructure of Ukraine suffered significant damage, which continues to increase. Logistics problems related to the operation of ports, transport networks and energy infrastructure continue to negatively affect the economy and the daily life of the civilian population. Ukrainian entrepreneurs show extraordinary perseverance and entrepreneurial spirit in wartime. They look for new markets and implement innovative approaches to remain competitive. Restructuring and modernization of enterprises, as well as cooperation with partners and authorities, are becoming important factors for their success.

The loss of critically important seaports, in particular Mariupol, and the blockade of the Black Sea coast have led to the inability of mass export of agricultural and metallurgical goods. Although there was some increase in agricultural exports through seaports in August due to the grain corridor, their volume is approximately 30% lower than in 2021. Most of destroyed and damaged enterprises are concentrated in six regions: Kyiv and Donetsk (17% of the total number), Zaporizhzhia (14%), Kharkiv (13%), Luhansk (10%) and Mykolaiv (8%). According to the report on direct damage to infrastructure from the destruction caused by Russia's military aggression against Ukraine issued on the 1st September 2022, the largest enterprises that suffered direct damage are the Ilyich Iron and Steel Works of Mariupol, Azovstal, Motor Sich.

The recovery of Ukraine's economy after the war will not be an easy task. The government of Ukraine is making efforts to restore destroyed enterprises and find new ways to export goods. However, even if these measures are successfully implemented, the economic consequences of the war will be experienced in Ukraine for many years to come. In 2022 consumer prices rose by 26.6%, and Ukraine's

economy suffered the biggest losses in its independent history due to Russian aggression (Lozova & Popova, 2022). The GDP of the country decreased by 30.4% according to the results of 2022 (Ministry of Economy preliminary estimates..., 2023). In December 2022, annual consumer inflation accounted for 26.6% and remained without particular changes when compared with the rates of price growth in November (26.5%) and October (26.6%). In monthly terms, prices increased by 0.7%. The NBU predicted that despite the war inflationary processes in Ukraine would remain under control and a moderate slowdown in inflation was predicted in 2023 (NBU 2022 inflation update, 2023). This will be facilitated by a consistent economic policy with the support of international partners and a slowdown in world inflation. According to the World Bank (2022), the next indicator of consumer inflation was set for 2023, an approximate indicator at the level of 19%, and 8.4% for the year 2024.

According to the NBU forecast, inflation will decrease to 10.6% in 2023 and real GDP will increase by 2.9%. The inflation report of the NBU claims that inflation will continue to slow down in the coming years and economic recovery will accelerate (National Bank of Ukraine, 2023a). However, the October 2023 inflation report suggests an improvement in the inflation forecast for the end of 2023 from 10.6% to 5.8% (National Bank of Ukraine, 2023b). The main factor in the revision of the inflation forecast is the impact of high harvests on the dynamics of food prices. At the same time, the NBU increased the inflation forecast for 2024 from 8.5% to 9.8%. And in 2025, inflation is predicted to slow down to 6%. The NBU improves the forecast of real GDP growth in 2023 from 2.9 to 4.9%.

However, even under the most difficult circumstances, people are able to find new opportunities for development and new opportunities have opened up for some sectors of the economy. This also applies to business. Such sectors include the defence industry, which is seeing an increase in orders, as well as companies that make public safety goods such as fencing. The defence sector is the one, which can experience a rapid growth. Currently, the need for defence products is growing, so companies working in this field have a unique chance to develop. In wartime there is

a growing demand for products to ensure public safety and health. This applies to goods such as protective clothing, medical equipment and food.

Also, the war led to problems with maritime logistics, which complicates traditional exports. However, it has also created new opportunities for transshipment companies. For example, the construction of a border transshipment terminal has begun on the Ukrainian-Romanian border, which will allow easy transfer of goods, especially grain, from Ukrainian trains to European narrow-gauge trains. Such a terminal will provide an additional opportunity for the delivery of Ukrainian products to Europe, even if sea routes remain blocked (Naumov, 2023). Moreover, the war can be a catalyst for technological progress. It can lead to the acceleration of the development and implementation of new technologies, for example, in the field of cyber security. The crisis can stimulate local manufacturers and suppliers to reorient. This can contribute to the strengthening of local economy. According to research by the COI marketing agency, 10 promising business areas during the war (2022) have been identified: light industry; agriculture; funeral services; construction materials and services; tourist goods; rehabilitation centres; insurance companies, security systems; online stores; stock goods; import substitution.

Martial law provides for the government to take an active position in supporting national business to ensure its stability. One of the ways to do this was the introduction of a program aimed at relocating companies to a safer area away from the war zone. From February to September 2022, 725 companies were able to relocate to the west of Ukraine (Ratushniak, 2022). These figures may not seem high for a six-month period of war but they result from difficulties in logistics, financing, equipment transportation and differences in regional infrastructure. In March 2022 Ukrainian authorities began to actively encourage entrepreneurs to start business and resume operations, which will contribute to the revival of the country's economy (Lozova & Popova, 2022). To execute the order of President Volodymyr Zelenskyi, the government formed a package of measures aimed at supporting Ukrainian business during the war. In his video message, Prime Minister Denys Shmyhal announced that individual entrepreneurs belonging to groups I and II will be exempted from paying the Social Security Contribution (SSC) during martial law and a year after its end (Denys Shmyhal: Government has shaped..., 2022). It was also announced that private enterprises and individual entrepreneurs of the IIIrd group will be exempted from paying SSC for their employees recruited to the Armed Forces of Ukraine and other armed formations financed by the state. Moreover, a new single tax rate of 2% instead of 5% was introduced for the third group of individual entrepreneurs, which can be chosen by both existing and newly created private enterprises. The prerequisite for this rate is an annual income below UAH 10 billion. Payers of this group are exempt from paying value added tax except for import value added tax.

By paying taxes, business provides funding for the state budget, creates jobs and supplies population with necessary goods and services. Thus, business performs an important social function. In order to reduce the financial pressure on companies, the government provides benefits for using state assets, which is especially relevant during the war, since the cost of buying or renting property is high and

real estate prices in the western regions of Ukraine have increased significantly. Since July 2022 the state has offered the "eRobota" program providing for non-refundable grants for opening a private business. From the beginning of the program until October 2022, 1,704 grants were issued for a total amount of about UAH 400 million (eRobota: The state invested..., 2024). This has not only helped to support small business in the current circumstances but has also contributed to the labour market stability as new companies create new jobs, helping to avoid the outflow of labour abroad. An important step was the continuation of the "Affordable loans 5-7-9%" program, which contributed to granting 13,843 soft loans worth UAH 55.26 billion during martial law (Ministry of Finance: During martial law..., 2023). Another decision of the government was to expand this program for companies suffering from the war and being either partially or completely destroyed. Now they can receive the state support in the form of interest reimbursement for loans received for the restoration of production.

Cooperation between business and the government is a necessary prerequisite for the economic growth of the country. A joint effort can contribute to solving problems arisen in Ukraine in 2022. In order to achieve this goal, business must continue to develop and invest in the economy and the government, in its turn, must create optimal conditions for work and constantly help entrepreneurs stay in business. Active interaction between the commercial sector and the government and full support of Ukrainian industry are crucial for Ukraine's victory. Ukrainian companies must adapt to new conditions and opportunities, taking into account the geographical location. Unquestionable support from the government and the international community for the benefit of Ukrainian industry and people is a significant incentive for the victory and creation of a new stage of economic growth of Ukraine as the impact of Russian's full-scale invasion into Ukraine in 2022 has led to significant economic upheavals.

To overcome the post-war crisis, the state should focus its attention on the following strategic directions (Ukrainian Institute for the Future, 2022). Export recovery of major commodities such as grain, ore and metal. First of all, this will lead to an increase in currency inflows to the country, which will have a positive effect on the country's economy. For its recovery, it is necessary to create infrastructural opportunities for exports, in particular, through the involvement of alternative routes, such as rail and road. It is necessary to restore railway tracks that were damaged during the war, as well as to build new railway lines that will connect Ukraine with its partners in Europe and Asia. It is also worth developing road transport to ensure the possibility of exporting goods through Poland, Romania and other countries.

Protection of the domestic producer and fight against imports. The war in Ukraine led to an increase in the prices of imported goods. This had a negative impact on Ukrainian manufacturers, who could not compete with imported goods. Therefore, protecting the domestic producer and fighting against imports provides for the creation of new modern production facilities using advanced technologies, which will allow Ukrainian producers to produce competitive products, as well as the support for Ukrainian food producers. The introduction of import restrictions for

goods produced in Ukraine is not an exception and it will be able to protect Ukrainian production from unfair competition on the market.

Infrastructure restoration. To restore the infrastructure, it is necessary to clear the territories of mines and other explosive objects, as well as restore critical infrastructure in the liberated regions. Clearing the territories of mines and other explosive objects is a priority task as part of the Ukrainian business has lost its territories. These measures are necessary to ensure the population safety and economic recovery as some enterprises were forced to relocate to resume operations, while others ceased their activities. Critical infrastructure restoration also includes: roads, bridges, power grids, water supply and sewerage. These recommendations are important for the recovery of the country's vital activities. Infrastructure restoration will require significant investment, thus international assistance should be attracted and government programs stimulating investment should be introduced.

Financial system renewal. The main task of the banking system after the war is to return to crediting of the economy. It is necessary to introduce a cashless payment infrastructure, develop and implement a strategy for managing non-performing loans, develop mortgage lending and loans for infrastructure restoration, as well as to attract foreign financial institutions. The renewal of the financial system will contribute to the creation of a favourable environment for business by facilitating access to credit and improving financial stability.

The development of the agricultural sector is an important part of preventing global food shortages and rising prices. In order to resume work in the agricultural sector, it is necessary to clear agricultural lands of mines, provide available loans for technical re-equipment of production and development of agricultural products processing, introduce programs to support small agricultural producers and significantly increase quotas for duty-free export of agricultural products to EU countries.

Solving the demographic crisis and labour market problems. First, it will be necessary to retrain personnel, conduct an information campaign to support a profession change with financial incentives from the state, provide state subsidies or interest-free loans for businesses when creating new jobs, as well as implement programs for providing housing to citizens based on the employment contract signed with the enterprise.

Transformation of the IT sector. Ukraine has a significant potential in the IT sphere due to a large number of talented IT specialists. The development of high-tech companies and start-ups indicates the strong growth of this industry. The availability of skilled labour and a high level of technical education contribute to the advancement of the IT industry. There is a noticeable trend of strengthening international cooperation and openness to foreign investments. To this end it is necessary to ensure state investments in IT education, maintain comfortable tax legislation, support the development of food companies and startups, create a comfortable and safe external environment, and adhere to the protection of human rights.

To rebuild a sustainable economy in the country, active actions should be taken in the following directions. **Deregulation of economies:** in wartime and post-war

reconstruction, it is necessary to simplify business activity as much as possible to stimulate entrepreneurship. It can be done by reducing bureaucratic procedures, reducing a tax burden and liberalizing the conditions of foreign economic activity. **Diversification of the economy:** Ukraine needs to diversify its economy in order to reduce its dependence on the export of raw materials. It can be done through the development of high-tech sectors of the economy such as IT, mechanical engineering, as well as agro-industrial complex and others. **International cooperation:** it is worth intensifying international cooperation to obtain financial and technical assistance in the recovery of the economy. It can be done through the cooperation with international financial institutions such as the International Monetary Fund and the European Bank for Reconstruction and Development, as well as with partner countries. **Innovative entrepreneurship:** for the development of Ukrainian business it will be important to focus on the development of innovative entrepreneurship, which is the basis for long-term economic growth. To this end it is necessary to ensure access to financing for startups and small businesses, develop the infrastructure of technology parks and incubators, and create a favourable environment for the introduction of innovations.

Investment growth: in order to increase the number of investments, it is necessary to introduce a favourable investment climate, which provides for the protection of property rights, legislation transparency and access to modern infrastructure. **Focusing attention on regional development:** this, in turn, will help to ensure the even development of all regions of Ukraine in order to avoid increasing disparities. It is necessary to introduce regional development support programs aimed at creating new jobs, developing infrastructure and improving the quality of life in regions. **Increasing the level of public trust in the state:** to ensure the successful implementation of reforms and economic recovery projects, it is necessary to increase the level of public trust in the state. It can be done by ensuring transparency and accountability of the government, as well as protecting the rights of citizens.

The results of the study suggest a sharp drop in Ukraine's GDP, investment reduction trend in business and an increase in the unemployment rate. Many enterprises suffered destruction and loss of fixed assets, others were forced to convert their production to military purposes. At the same time, some industries, in particular the IT sector, were able to successfully adapt to new operating conditions and even increased their export of services. International financial assistance and investments are expected to contribute to a quick recovery of the economy as soon as the active war phase ends. Infrastructure restoration, entrepreneurship stimulation and favourable investment climate creation should become priority tasks for the government. It will also be necessary to provide support to enterprises that survived the war but found themselves in a difficult financial situation due to its consequences.

■ DISCUSSION

The results suggest a debatable question: how will the war in Ukraine affect the development of small and medium-sized businesses in the long term and what are the prospects for business after the war ends. The answer to

this question depends on a number of factors, in particular, on the duration of the war, infrastructure restoration, changes in the geopolitical environment, etc. A large number of scientists conduct research in order to give the most accurate answer to this question.

T. Melnyk (2022) points out the following: stabilization of the business climate and reform of the state regulation system of business activity are the main tools of economic development under martial law. For this purpose it is necessary to do the following: to develop and implement temporary easy requirements and support for business; to continue to provide support to business entities, in particular by creating the appropriate legal framework, financial and credit, material and technical support, scientific and methodological, informational and advisory, human resources support for business; to create equal opportunities for small, medium and large business entities to have access to business support and stimulation programs introduced by the government; to monitor the effectiveness of the use of budget funds provided for the implementation of the specified programs; to ensure openness and transparency of state support procedures. The author's findings correlate with the results obtained in the present article.

The opinion regarding the development of Ukrainian agribusiness aligns with the work of Y. Luchehko & A. Gordiichuk (2023), which focuses particularly on stimulating the country's agricultural complex during the war. The authors suggest conducting active diplomatic activities for successful selling on the EU market. They also make an interesting proposal to develop industries related to agribusiness, i.e. those which are not directly related to the agricultural sector but contribute to the success of agrarian firms. The authors also stress the importance of demining Ukrainian territories for the country's economic recovery. O. Chernysh *et al.* (2023) point out that the war provides for reconsidering strategic priorities of economic development and formulate major current priorities: ensuring security, mobilizing resources, economy diversification, attracting investments and international cooperation, social events; as well as post-war priorities: restoring the pre-war level of GDP, renewing the economic structure, developing the technological sector of the economy, promoting the opening of new markets for Ukrainian goods and services, improving the efficiency of public administration, developing infrastructure and technologies to support a smart economy. The article is a good basis for understanding the economic situation of Ukraine in wartime and is statistically meaningful.

Summarizing the ideas of the scientific work of O. Zolotova *et al.* (2023), it is necessary to implement the following steps to overcome the post-war crisis: to introduce effective reforms, in particular in the field of economy deregulation, fight against corruption and protection of property rights; to attract investments, in particular from Europe; to modernize the economy, in particular through the development of digital technologies. O. Kazak & M. Sulyma (2023) have proved that the increase in prices for raw materials and the decrease in demand for products, the increase in the exchange rate of foreign currencies, interruptions in the supply of communal services, difficulties in transportation, dangerous working conditions and staff remuneration are the current key problems for business. A number of scientists share these ideas as they reflect

reality of the year 2024. O. Kniazieva (2022) points out that, first of all, it is worth investing in innovative technologies to strengthen the country's defence and economy. The obtained new technologies could be used to develop new weapons, as well as to improve the standard of living. D. Levchynskiy *et al.* (2022) believe that the state should provide financial, expert and consulting assistance to business, as well as promote the restoration of supply chains and the search for foreign partners. The present article also emphasizes the importance of providing financial support to entrepreneurs in order to ensure stable functioning and further development of business.

A. Mostova (2023) conducted a study on the main factors affecting the rapid development of electronic business in Ukraine, as well as on current problems and directions of further development of this sector. The study analyzes the invasion and its impact on purchasing power and e-commerce volumes in the country. Taking into account the crisis in the national economy and other factors, the research identifies problems such as the disruption of logistics chains, problems with the digital infrastructure and transport system, internet scam, legislative and legal deficiencies. In addition, the study substantiates the main directions for further development of electronic business in the context of European integration processes. The study suggests one of the promotion channels for the current business and, unlike this article, considers e-commerce.

K. Tomej *et al.* (2023) in their study of Ukrainian tourism business point out that tourism enterprises, like many others, as a rule are not prepared for such unpredictable challenges as war. However, tourism enterprises can successfully transform their activities and adapt to new conditions if the authorities understand the important role of organization in the society, strengthen relations with interested parties (e.g., employees, customers, partners), see the perspective of business innovation and expansion and as a whole are optimistic about the future. The authors point out that the organizational stability of small and medium-sized tourism enterprises is based on the personal stability of managers, as well as on their relations with the enterprise. This aspect is particularly important for recovery strategies for war-affected areas.

In their study K. Obłój & R. Voronovska (2024) provide four key recommendations on managerial responses to crisis situations. It is recommended to consider every crisis as an opportunity to learn and prepare for future unfavourable circumstances. Emphasis is placed on the use of business continuity plans, which should be considered as an effective means of reducing initial resistance to potential threats. The authors emphasize the importance of prioritizing key actions, initiating quality corrective measures and avoiding irrelevant interventions. The fourth step is to recognize the possibility of long-term crisis effects, which provides for the need to develop long-term plans taking into account both the expected threats and the opportunities for recovery and development. The development of long-term recommendations for business was the basis for the present article.

Considering the examples of other countries, it is necessary to single out Israel as one of the countries at war. V. Kudlai (2018) points out that one out of ten new Israeli businesses remains on the market after one year and no more than 35% of businesses remain on the market after

10 years of starting a business and 60% of new businesses do not employ labour force. The share of small businesses is almost 99% of the total number of enterprises. Taking into account the fact that Israel has been in an armed conflict for more than 75 years, it can be argued that small and medium-sized business operation depends directly on the conditions of the external environment, and such factor as war has a direct and immediate impact on business. Despite the challenges posed by war, businesses can find ways to adapt and continue to operate. However, this requires flexibility, resources and strategic planning.

As a whole, most scientists make the same forecasts. However, it is still impossible to make an exact forecast of the war impact on the development of small and medium-sized businesses in a long-term perspective, as Russian aggression can lead to a new unpredictable negative factor in the macro environment, which in turn can cause damage to enterprises. It is obvious that the Russian-Ukrainian war has already had a significant impact on the Ukrainian economy and will affect all sectors of the economy in the future, including small and medium-sized businesses.

■ CONCLUSIONS

Ukrainian business is a full-fledged part of the country's economy, which has been under the influence of Russian-Ukrainian war since 2014. It has its consequences: the conflict has not only caused a humanitarian crisis and loss of human life but also significant economic losses for the country, which led to significant challenges and risks for various sectors of the economy that had to adapt to new constantly changing operating conditions resulting from the war. The results of the study suggest a significant role of the Russian-Ukrainian war in shaping the economic situation in Ukraine, leading to serious challenges and business risks. Despite this, Ukrainian entrepreneurs have the opportunity to adapt and find new ways of development. It has been discovered that Ukrainian business is able to change its orientation towards increasing the number of domestic consumers and demand for Ukrainian goods, increasing government orders for defence sector enterprises, and reducing dependence on external factors, which is of great importance.

To improve the economic situation of Ukraine it is necessary to constantly monitor data and analyse macroeconomic indicators. The results of the analysis suggest that

among the priority tasks are the restoration of damaged infrastructure and business support to create new jobs and reduce unemployment. It is also important to take into account the experience of other countries in overcoming crisis situations and involve foreign partners in the development of programs to improve the country's economic condition. Attracting international partners, using the experience of other countries and focusing on digitization are key factors for the success. Moreover, it is extremely important to support small and medium-sized businesses and stimulate their development and provide financial resources.

In the conditions faced by Ukraine, it is important not only to respond to challenges, but also to create new opportunities and prospects for Ukrainian business. Entrepreneurs should understand that apart from threats the war has brought about opportunities to change the company's strategy for its better development, identify weaknesses and eliminate them. The war can contribute to the creation of new business models different from the previous ones, as well as the introduction of innovations into existing business systems. Joint efforts of the state, business and the international community are necessary to overcome economic challenges and create a sustainable and prosperous future. Ukrainian entrepreneurs should focus on strategic planning, flexibility and innovation, adapt to changes and look for new opportunities. For a more detailed disclosure of this issue, it is worth conducting future research based on the experience of other countries in overcoming crisis situations and analysing the impact of the crisis on international economic relations in Ukraine. The study of these issues will contribute to providing more detailed recommendations for business and understanding steps to be taken in wartime.

■ ACKNOWLEDGEMENTS

The authors express their respect and gratitude to the Department of International Economics of Igor Sikorsky Kyiv Polytechnic Institute for ideas and support of scientists in difficult times for Ukraine. The authors are grateful to colleagues for their invaluable advice and feedback throughout the research.

■ CONFLICT OF INTEREST

None.

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Вплив першого року повномасштабної війни на український бізнес

■ **Анотація.** Актуальність дослідження полягає в необхідності аналізу впливу військових дій на економічне середовище України, зокрема на стан бізнесу, який займає значну частку української економіки. Метою статті було дослідити вплив першого року повномасштабної війни в Україні на стан українського бізнесу та виявити основні виклики та можливості, з якими зіткнувся бізнес під час війни, та надати рекомендації для стабілізації економічного середовища в Україні. Для дослідження використовувалися методи аналізу вторинної інформації, які дозволили отримати узагальнену картину впливу військових дій на український бізнес шляхом аналізу звітів міжнародних та українських організацій. Статистичний аналіз став основою для оцінки динаміки та ключових економічних показників. Розглянуто стан українського бізнесу під час російсько-української війни. Досліджено вплив конфлікту на бізнес і надано рекомендації для стабілізації економічного середовища в Україні. Проаналізовано динаміку валового внутрішнього продукту з 2013 по 2022 рік і негативний вплив війни на економіку. Розглянуто адаптацію бізнесу до нових умов і прямі втрати промислового сектору, нові можливості для бізнесу під час війни. Описано заходи державної допомоги бізнесу і стратегічні напрямки для подолання кризи та відновлення економіки після війни. Результати дослідження вказують на значний негативний вплив російсько-української війни на український бізнес, який проявляється в падінні валового внутрішнього продукту, зниженні рівня інвестицій, зростанні безробіття та руйнуванні інфраструктури. Запропоновані рекомендації та стратегії розвитку включають у себе необхідність посилення державної підтримки для бізнесу, стимулювання інвестицій, реформування економіки з метою диверсифікації та підвищення її стійкості до зовнішніх шоків. Рекомендації є результатом наукового аналізу та можуть служити основою для практичного використання підприємствами під час війни та після її завершення

■ **Ключові слова:** воєнний стан; економіка; підприємництво; можливості; виклики; інновації; адаптація