

## SMALL AND MEDIUM-SIZED ENTERPRISE DEVELOPMENT IN UKRAINE: TRENDS AND INNOVATIONS IN FINANCING

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**Abstract.** *The article examines the importance of finance the development of small and medium-sized enterprises (SMEs) and identifies institutional factors that limit the inclusion of external borrowing and restrain the development of SMEs; the current state of financial and credit support of SMEs by domestic banking sector is evaluated; the importance of SMEs for the economic growth of Ukraine is proved and their activity rate is calculated; the opportunities of financial innovations for extending external sources of SMEs financing are substantiated.*

**Keywords:** *small and medium-sized enterprises, SME, lending, financial innovations, digital economy, digital technologies, crowdfunding, crowdlending, crowdinvesting.*

The importance and necessity of the development of small and medium-sized enterprises (SMEs) confirms the adoption of the state strategy of Ukraine, among the tasks and priorities of which the improvement of access to financing is determined. Today, SME financing is mainly linked with bank lending, less – with attraction of funding from international financial institutions (MFIs), and the alternative sources and financing opportunities are remain unanswered.

The purpose of the article is to investigate the coherence between national and global trends, opportunities of adaption financial innovations to enhance the inclusion of external borrowing for SMEs development in the context of digital financial intermediation transformation, and to increase disintermediation.

The paper shows that despite the difficult economic situation, the activities of SMEs have received systematic support from public policy, that has a

positive impact on the economic results of their activities. The sectoral structure of SMEs shows that most dynamically it is developing in agriculture, wholesale and retail trade, transport, warehousing. An assessment of the state of development SME sector in Ukraine by its activity rate has shown that it has been gradually increasing over the last years, but at a rather slow pace. Decrease number of large enterprises, an increase micro-enterprises, the number of employees and a single tax share for small business entities in local budget revenues are the basic prerequisites of nowadays situation. Other factors include the diffusion of innovations in the practice of financing, the activation of special financing programs for SMEs by domestic banks, some specific financing conditions of which is described in the

article. IFIs' opportunities for financing domestic SMEs during 2006-2017 are discussed separately.

The possibilities of crowd-technologies (crowdfunding, crowd-investment, crowd-landing) as alternative instruments of SME financing are substantiated.

SMEs have considerable potential to ensure the sustainable development of the national economy, but at the same time, it needs sustained funding, wherefore expected that financial intermediaries introduce new mechanisms, technologies, special instruments and incentives for investment lending. All this combined with a favorable business climate will allow Ukraine to gain economic stability and growth faster.

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