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PROSPECTS FOR USING INVESTMENT MECHANISMS IN SUPPORTING SMALL BUSINESS AND ENTREPRENEURIAL ACTIVITY

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Abstract: This section examines the prospects for using investment mechanisms to support small business and entrepreneurial activity, with particular attention to the tourism sub-sector of the economy. It systematizes the theoretical foundations of investment financing, the stages of investment-project implementation, and the range of external and internal sources through which entrepreneurial projects can be financed. Building on the organizational-economic conceptualization of investment support developed in national and international scholarship, the chapter decomposes the investment-support mechanism into six interrelated elements — legal-regulatory, organizational, methodological, personnel, informational, and financial — and classifies the infrastructure organizations and measures that operationalize them. On this basis, the chapter puts forward practical proposals, including the adoption of a dedicated regulatory-legal act on investment support for tourism entrepreneurship and a refined classification of entrepreneurship-support infrastructure. The analysis suggests that a coordinated, multi-element approach to investment support is a precondition for the sustainable development of small business and entrepreneurship in the country.

Keywords: investment mechanisms; small business; entrepreneurship; investment projects; investment financing; competitiveness; innovation; sustainable development

Introduction

Along with stimulating investment processes in the development of the branches and sectors of the economy, it is of particular importance to maintain the competitive level of their technical and technological condition, to bring the investment policy being implemented to a qualitatively new stage, and to fundamentally improve the investment climate at the national and regional levels.

Today, it is necessary to achieve competitiveness in both the domestic and foreign markets on the basis of the innovative and investment-driven development of the small business and entrepreneurship sector, which is capable of yielding substantial results quickly and within a short period. Attracting investment, increasing economic and innovative activity, and strengthening the competitive environment are of great importance for improving the efficiency of entrepreneurial activity and bringing the development of the sector to a new stage.

In order to attract investment to the sphere of small business and entrepreneurship, it is necessary to develop various mechanisms and strategies. Innovative approaches in this field, the introduction of advanced technologies, the training of qualified personnel, the development of infrastructure, and the availability of state support mechanisms serve to increase the competitiveness of business entities.

Measures aimed at improving the investment environment and supporting entrepreneurship in the regions should be accompanied by strategies for developing new entrepreneurial activity. This, in turn, is necessary to further develop entrepreneurship in the sector and to ensure the sustainable growth of the country's economy.

Increasing the volume of investment funds directed into the sector is regarded worldwide as the main factor for the rapid development of entrepreneurial activity and the expansion of its areas of operation. Against this background, the purpose of this section is to substantiate the theoretical content of investment mechanisms in entrepreneurship, to systematize the sources and stages of financing investment projects, and to identify the structural elements of the mechanism for the investment support of small business and entrepreneurial activity, in order to formulate proposals for its improvement.

Literature Review

The effective allocation of investment resources to support small business and entrepreneurship has been widely discussed in both international and domestic literature. A common conclusion is that access to finance and comprehensive institutional support are essential for sustainable entrepreneurial development.

International studies identify limited access to finance as one of the main barriers to the growth of small and medium-sized enterprises (SMEs). Thorsten Beck and Asli Demirgüç-Kunt (2006) show that small firms face greater financing constraints than large enterprises and emphasize the importance of improving financial accessibility. Similarly, Allen N. Berger and Gregory F. Udell (2006) explain that financing sources vary according to a firm's life cycle and information transparency, with small businesses relying mainly on internal funds and bank lending. Furthermore, Tiago Ratinho et al. (2020) conclude that entrepreneurship support is most effective when financial assistance is combined with training, infrastructure, and networking.

Domestic researchers have also made important contributions. Bogolyubov et al. (2009) describe investment projects as consisting of pre-investment, investment, and operational stages. Mamatov et al. (2014) classify the main sources of investment financing, while Sergeeva (2008) views investment support as an organizational-economic mechanism that includes legal, organizational, informational, methodological, personnel, and financial elements.

Overall, previous studies highlight the importance of finance and institutional support for entrepreneurship. However, limited research integrates the stages of investment project implementation with a comprehensive investment-support mechanism specifically for tourism entrepreneurship. This chapter addresses that gap by combining these approaches into a unified analytical framework.

Methodology

The analysis presented in this chapter is based on a qualitative, desk-based research design that combines the systematization and generalization of secondary sources with structural-functional analysis. Sources include national and CIS-region textbooks and monographs on investment organization and financing, a dissertation on the mechanism of investment support for small business entities, and international peer-reviewed research on SME financing and entrepreneurship-support organizations, as reviewed above.

Three complementary methods are applied. First, the classification method is used to group the sources of financing investment projects into internal and external categories and to arrange them according to their institutional origin (state budget, commercial banks, private and foreign

investors, venture capital, securities markets, and internal company funds). Second, structural-functional analysis is applied to decompose the organizational-economic mechanism of investment support into six interrelated elements — legal-regulatory, organizational, methodological, personnel, informational, and financial — and to examine the function each element performs within the mechanism as a whole. Third, the method of logical generalization is used to derive practical proposals from the classification and structural analysis, including recommendations on regulatory documentation and the classification of entrepreneurship-support infrastructure.

Analysis

Investment activity in the entrepreneurship sector encompasses various legal-regulatory, organizational, and financial activities related to directing and coordinating all types of monetary, material, and intellectual resources toward the activities of business entities of the relevant sector, for the purpose of achieving a socio-economic effect or making a profit. This process serves as the main factor in effectively attracting investment, introducing innovative ideas and technologies, and strengthening competition in the sector, and includes:

- state-level economic policy that provides for encouraging, monitoring, or restraining investment activity through various regulatory documents, rules, and methods;
- planning, organizing, regulating, coordinating, stimulating, motivating, and monitoring a project on the basis of an appropriate structure, scope of work, cost, and quality, applying a system of modern methods that ensures the effective implementation of specific investment projects;
- activity related to monitoring the investment activity of business entities — i.e., the formation of the investment portfolio and working capital — and managing its quality, among others.

One of the effective directions for developing entrepreneurial activity is organizing activity within the framework of investment projects; activity organized in this direction relies on clearly substantiated steps at each stage, or a sequence of actions.

According to research sources, the modern theory of investment holds that the implementation of investment projects in tourism entrepreneurship activity comprises interrelated stages — pre-investment, investment, and utilization. The initial stage of investment activity, the pre-investment stage, has a number of relatively distinctive features, since it is this stage that determines whether the subsequent stages can be carried out and enables a well-grounded forecast of the project (Table 1).

Table 1.

Composition of the stages of implementing investment projects in entrepreneurial activity

Stage	Main Activities	Expected Outcome
1. Pre-investment Stage	Identification of business opportunities; market research; feasibility study; risk assessment; preparation of the business plan; selection of financing sources	A well-prepared investment project and informed investment decision.
2. Investment	Mobilization of financial resources;	Completion of the

Stage	acquisition of land, buildings, and equipment; construction or modernization; recruitment and staff training; project implementation	investment project and establishment of operational capacity.
3. Operational (Utilization) Stage	Launch of business operations; service delivery; monitoring and evaluation; financial management; marketing; maintenance and continuous improvement	Sustainable business operation, profitability, and return on investment.

The investment process in entrepreneurial activity should primarily be directed toward the following:

- investment in the development of the sector should cover both the internal and external regional environment;
- targeted investment should be aimed at addressing issues arising from the goals of sustainable development of tourism activity in the region;
- in managing and activating external relations, particular attention should be paid to searching for sources of internal and external investment resources;
- since, as a system, the elements of tourism are highly interdependent, investments should not be made separately but in a comprehensive manner, covering all the necessary elements of infrastructure;
- continuity of investment processes should be ensured with regard to objective and subjective factors;
- investments should be directed toward elements that yield a synergetic effect, taking their characteristics into account.

Achieving high efficiency in entrepreneurial activity requires developing activity in direct cooperation with the fields of economy, organization, infrastructure, finance, and labor resources, taking their harmonious interaction into account.

Owing to this kind of multiplier effect, the small business and entrepreneurship complex makes it possible to raise the population's standard of living and to harmoniously resolve socio-economic, ecological, and demographic problems in the regions. Coordinated activity among culture, transport, security, international relations, ecology, employment, and sanatorium-resort complexes — in cooperation with and aligned to the interests of related sectors — supports economic growth and influences the development of the sector.

With regard to the possibility of attracting financial resources for entrepreneurial activity, the financing of investment projects is carried out through two methods: financing based on external sources and financing based on internal sources.

External sources of financing include special preferential state loans, commercial bank loans, funds raised through securities issuance, funds from foreign credit lines, and others. The internal methods of financing investment projects for entrepreneurial activity, according to the sources from which financial resources are formed, consist of the following:

1. Internal funds of the company — the use of the company's own capital (depreciation, retained income).
2. Bank loans — loans obtained from local banks or financial institutions.
3. Partnership and investment projects — funds contributed by investors, obtained through both external and internal sources.

Table 2.

Sources of real investment financing of investment projects in entrepreneurial activity

Group	Elements
Internal reserves of investment entities	Undistributed (retained) profit
External sources of investment entities	Commercial bank loans; credit funds of non-bank financial institutions; funds allocated under investment programs; funds obtained from securities issuance; other funds

Joint projects — financing carried out through cooperation between several entrepreneurs or companies.

Based on the points outlined above, it can be said that financing is the provision of investment projects with financial resources. In these processes, investors carry out their activities based on certain rules and regulations — that is, on the basis of specific mechanisms. From this point of view, it is appropriate to regard the financing mechanism as a combination of financing relations and investors. Here, financing relations, which constitute the main objective part, act as the primary basis, while investors constitute the other part of the mechanism, managing the flow of funds.

Based on the above, it is correct to characterize the financing mechanism as a combination of financing relations, investors, and financing procedures (Table 3).

Table 3

Sources of financing investment projects

	Source	Description
	Financing from the state budget	Preferential loans and subsidies: preferential loans and subsidies allocated by the state to support entrepreneurship. Youth industrial and entrepreneurial zones: land plots and infrastructure

		facilities provided in special zones for young entrepreneurs.
	Commercial bank loans	Loans for small business entities: loans provided by commercial banks to small business entities for implementing investment projects. Such projects must undergo an appraisal by the banks.
	Private and foreign investments	Direct private investment: private investors invest in entrepreneurial projects. Foreign investment: investment made by foreign investors, for which certain incentives exist.
	Venture capital	Financing of innovative projects: financing through venture capital for the purpose of commercializing scientific research findings and innovative ideas.
	Securities issuance	Issuing shares and bonds: business entities can attract funds by issuing their own shares or bonds.
	Internal financial resources	Internal funds of the company: use of the company's own capital (depreciation, income). Reinvestment: reinvesting profit back into the business.

There are various sources for financing investment projects in the development of entrepreneurial activity. Through state support, private and foreign investment, bank loans, and the effective use of internal resources, entrepreneurs can carry out their projects. Each source has its own distinctive characteristics and should be chosen according to the purpose, scale, and duration of the project.

Table 4

Mechanism of financing investment projects in entrepreneurial activity

Component of the financing mechanism
Relations involved in financing investment projects
Investors financing investment projects

Rules and procedures for financing investment projects
→ Together these form the System of Financing Investment Projects

For the financing mechanism to function fully, in addition to the above, the methods of financing must also be clearly defined.

In the process of investing in entrepreneurial activity, alongside the theoretical foundations discussed above, it is necessary to form fully functioning mechanisms — and apply them in practice — for state support of the processes of investing in entrepreneurial activity at the sectoral or regional level.

Investment support for business entities operating in the entrepreneurship sector refers to the activity of the entrepreneurship-support infrastructure aimed at implementing the measures envisaged by state authorities, local self-government bodies, and entrepreneurship development programs.

The organizational-economic mechanism of investment support for entrepreneurial activity is a set of organizational structures, legal norms, and economic and other measures implemented by the state to stimulate entrepreneurs' investment activity. In the course of the research, the main elements of the mechanism for investment support of tourism entrepreneurial activity were examined by distinguishing legal-regulatory, organizational, financial, personnel, information, and methodological elements.

The legal-regulatory element includes the set of legal-regulatory documents at the national, regional, and local levels that govern investment activity in entrepreneurship. This set of documents defines the investment-support measures and the procedure for ensuring them.

Table 5

Elements of the mechanism of investment support for entrepreneurial activity in the tourism sector

Element	Main Components	Purpose in Tourism Entrepreneurship
Legal and Regulatory	Tourism legislation, investment laws, tax incentives, licensing procedures, property rights protection	To create a favorable legal environment for attracting domestic and foreign investment and reducing administrative barriers.
Organizational	Government agencies, tourism development institutions, business incubators, public-private partnerships (PPP), coordination	To improve institutional cooperation and facilitate the implementation of investment projects in the tourism sector.

	mechanisms	
Methodological	Investment planning, feasibility studies, project evaluation methods, risk assessment, monitoring and quality management	To ensure effective planning, implementation, and evaluation of tourism investment projects.
Personnel (Human Resources)	Entrepreneur training, professional development, mentoring, tourism education, capacity building	To improve the knowledge and skills of tourism entrepreneurs and increase business competitiveness.
Informational	Market information, digital platforms, investment databases, consulting services, statistical data	To provide entrepreneurs with timely information for investment decision-making and business development.
Financial	Bank loans, government grants, subsidies, venture capital, leasing, guarantee funds, foreign direct investment (FDI)	To ensure sufficient financial resources for establishing, expanding, and modernizing tourism enterprises.

The organizational element of the mechanism includes supporting the activity and creating the organizational structures necessary to determine the normal functioning and development of the sphere of investment in entrepreneurial activity. The organizational foundations of the mechanism consist of the establishment of specialized state structures and entrepreneurship-support infrastructure at the national, regional, and local levels.

As an element of the organizational component of the mechanism for supporting investment in entrepreneurial activity, this includes legislative bodies that provide the regulatory-legal basis for stimulating investment activity within specialized national, regional, and local structures, as well as structural units of executive authorities that participate in implementing policy in the sphere of entrepreneurship support.

In small business and entrepreneurship enterprises, the entrepreneurship-support infrastructure is a system of commercial and non-commercial organizations that are established, carry out their own activity, or participate in placing orders for the supply of goods and services, the performance of works, or the provision of services for state or regional needs. The entrepreneurship-support infrastructure consists of more than 20 types of organizations, which may be classified on various grounds:

- for the purpose of establishing an infrastructure organization: enterprises established by territorial state bodies to carry out measures for supporting entrepreneurial activity; non-commercial associations of entrepreneurs created to solve problems; and commercial organizations that earn income from providing services to entrepreneurs;

- according to the terms on which services are provided: organizations providing services free of charge, organizations providing services on preferential terms, and organizations providing services for a fee;
- according to the forms of support: infrastructure organizations providing financial, property, information, and consulting support; training, retraining, and skills development for personnel of tourism enterprises; support in the sphere of innovation and production; support in the sphere of handicrafts; and support for entrepreneurial activity engaged in foreign economic activity.

The methodological support of the investment-support mechanism includes a set of methodological developments and materials on planning and carrying out investment activity in entrepreneurship. The purpose of these materials is to establish common terminology, valuation principles, calculation techniques, and methodological approaches for determining the efficiency of investment projects and adapting them to current technological, economic, urban-planning, environmental, and other standards.

Staffing is linked to high demands on the professionalism of specialists in the investment field. Organizing investment activity and managing investment projects are objectively complex processes. In this regard, it is necessary to create the conditions for improving and developing a range of institutions responsible for human-resource development and for training qualified specialists and consultants in management and tourism entrepreneurship.

The information element of the investment-support mechanism consists of reference, market, analytical, technical, and advertising information that is continuously provided through traditional and electronic information systems, in one-off and periodic publications, accumulated in libraries and collections, and regularly updated and compiled by numerous information institutions before being delivered to users through various channels. Information provision should be ensured by establishing a specialized information-analysis center to process data on the subjects of investment activity, the state of the investment and business environment, and measures to support investment. This center should ensure that measures are implemented to broadly promote investment knowledge and information through the mass media, including electronic media.

The financial element of the investment-support mechanism represents the highly developed financial and credit mechanisms of the modern market, which are designed to provide financial resources to entrepreneurial activity within the economy. The financial mechanism primarily includes taxes, benefits, grants, subsidies, subventions, bank loan and deposit interest rates, guarantees, and others. Within this mechanism, financial incentive instruments are regarded as investment-support measures.

The diversity of forms of supporting entrepreneurial activity has given rise to the development of a classification of investment-support measures.

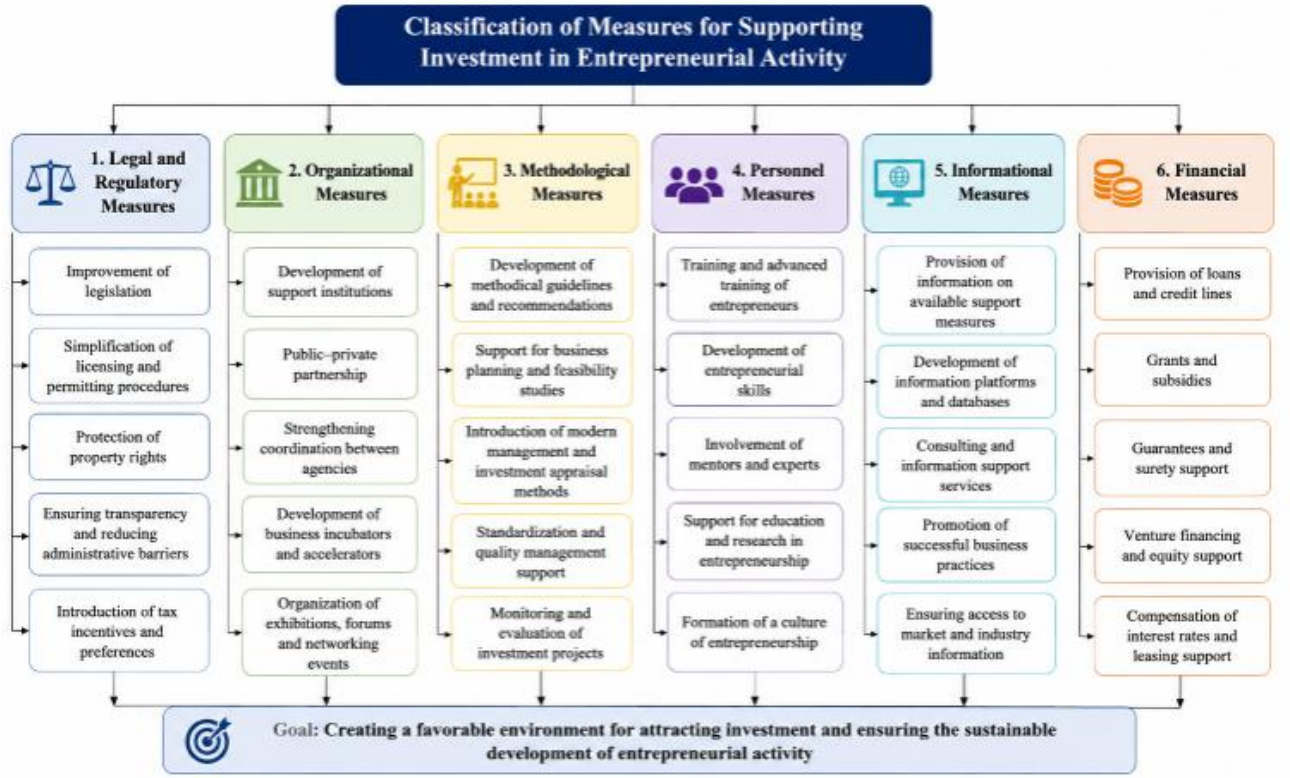


Figure 1. Classification of measures for supporting investment in entrepreneurial activity

The effectiveness of the mechanism for supporting investment projects depends on the functioning of the entrepreneurship-support system and on the legal-regulatory framework governing the measures that stimulate investment activity.

Figure 1 presents a comprehensive classification of the main measures used to support investment in entrepreneurial activity. The framework groups investment support into six interconnected categories: legal and regulatory, organizational, methodological, personnel, informational, and financial measures.

Legal and regulatory measures focus on creating a favorable business environment through improved legislation, simplified licensing procedures, protection of property rights, reduced administrative barriers, and tax incentives for investors.

Organizational measures aim to strengthen institutions that support entrepreneurship by promoting public-private partnerships, improving coordination among government agencies, developing business incubators and accelerators, and organizing business forums and networking events.

Methodological measures provide entrepreneurs with practical guidance by developing business planning methods, feasibility studies, investment appraisal techniques, quality management standards, and project monitoring systems.

Personnel measures emphasize the development of human capital through entrepreneurial education, professional training, mentoring, skills development, and the promotion of an entrepreneurial culture.

Informational measures ensure that entrepreneurs have access to reliable and up-to-date information about investment opportunities, government support programs, consulting services, market trends, and successful business practices.

Financial measures include the direct provision of financial resources through loans, grants, subsidies, government guarantees, venture financing, leasing support, and interest-rate compensation programs.

Overall, the six groups of measures operate as an integrated investment support mechanism. Their combined implementation creates a favorable investment climate, reduces barriers to entrepreneurial activity, improves access to financial and non-financial resources, and contributes to the sustainable development and competitiveness of entrepreneurship.

Conclusion

With regard to the results of using investment mechanisms in supporting entrepreneurial activity, it is advisable to implement the following measures:

1. The introduction of investment into entrepreneurial activity promotes the establishment of new tourism enterprises, the expansion, reconstruction, and technical re-equipment of existing ones, the purchase of real estate, securities, and other assets, the establishment and development of entrepreneurship-support infrastructure, and other beneficial activities involving the monetary funds, property, and intellectual assets of the state and individuals directed toward supporting entrepreneurial activity.
2. The regulatory-legal documents governing investment activity in the country, in most cases, do not take into account the specific features of entrepreneurial activity in the tourism sector. Legislation in the field of entrepreneurship support does not cover the issues of financing the investment activity of entrepreneurial subjects. It is considered appropriate to adopt a special regulatory-legal document that governs investment support for entrepreneurial activity in the tourism sector and that defines the concept of "investing in entrepreneurial activity."
3. The organizational-economic mechanism for supporting investment in entrepreneurial activity is reflected in a set of organizational structures, legal norms, and economic and other measures implemented by the state to stimulate investment in entrepreneurial activity. The main elements of the mechanism of investment support for entrepreneurial activity are the regulatory, organizational, methodological (methodological support), personnel, information, and financial directions.
4. Entrepreneurship-support infrastructure enterprises can be classified as follows:

- for the purpose of establishing an infrastructure organization: enterprises established by the authorities to implement measures supporting entrepreneurial activity; non-commercial associations of entrepreneurs created to solve problems; and commercial organizations earning income from providing services to entrepreneurs;
- according to the terms of service provision: organizations providing services on a tax-free basis, organizations providing services on preferential terms, and organizations providing services for a fee on a general basis;

- according to the forms of support: activity allocated to infrastructure organizations supporting finance, property, information, and consulting assistance; training, retraining, and skills improvement for the employees of small enterprises; support in the sphere of innovation and production; support in the sphere of handicrafts; and support for entrepreneurial activity engaged in foreign economic activity.

It is appropriate for investment-support measures for entrepreneurial activity to be structured as follows:

- coverage of entrepreneurial activity — general and special;
- types of support — financial-credit support measures, tax-support measures, property-support measures, and organizational and management-support measures;
- nature of provision — direct and indirect.

In developing entrepreneurial activity, the financing of investment projects and the investment support of activity serve as a financial instrument for developing measures that enable newly established business entities to operate sustainably, to quickly overcome the effects of external and internal factors, to achieve a competitive advantage among business structures, and to reduce the risks that may arise in the sector.

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