

LEGAL INFRASTRUCTURE FOR SUPPORTING SMALL AND MEDIUM BUSINESSES IN THE U.S.

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Abstract. The article explores the functioning of the legal infrastructure that supports small and medium-sized businesses in the United States, focusing on its institutional elements, legal mechanisms, and informational support for entrepreneurial activity. The aim of the article is to analyze the legal infrastructure supporting small and medium-sized enterprises in the U.S., its institutional framework, functional components, and information-based mechanisms that contribute to the sustainable development of entrepreneurship. The study employed general scientific methods of cognition: analysis; synthesis; induction; deduction; comparison; generalization; systematization. The findings show that small and medium-sized businesses in the U.S. play a strategic role in the country's socio-economic development, accounting for over 99% of business entities, generating nearly half of private-sector employment, and significantly contributing to GDP formation. The U.S. model of SME development is characterized by a stable level of entrepreneurial activity; a dominant service sector; a high rate of self-employment; strong adaptability to market changes. However, at the current stage, SMEs face a range of challenges, including rising costs; labor shortages; limited access to financial resources; significant regulatory pressure, which highlights the need for targeted government support. The study concludes that the legal infrastructure plays a central role in the SME support system, integrating regulatory frameworks, advisory and educational support, access to legal services, and digital tools. It is shown that the key components of this system include compliance with legal requirements related to registration, licensing, tax and labor regulations, as well as mechanisms for protecting consumer rights and intellectual property. The practical significance of the study lies in the potential to apply U.S. experience in improving legal and informational support systems for SMEs in other countries, particularly within transitional economies.

Keywords: small business, legal infrastructure, entrepreneurship support, USA, digitalization.

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Introduction

Small and medium-sized enterprises (SMEs) represent a fundamental component of the United States economy, contributing significantly both to high levels of employment and to the formation of gross domestic product. In the context of global transformations and post-pandemic recovery, SMEs serve not only as drivers of innovation, regional development, and social mobility, but also as key factors of economic resilience and flexibility. As of 2025, more than 34 million small businesses operate across the U.S., covering a wide range of industries – from services to manufacturing and high-tech sectors.

However, the effective functioning of SMEs is impossible without adequate government support, particularly in the legal domain. Given the high regulatory complexity, rapid technological change, and competition from large corporations, legal infrastructure plays a critical role in ensuring transparency, accessibility, and predictability in the business environment for entrepreneurs. This includes not only legal provisions for registration, taxation, labor, and licensing procedures, but also the availability of consultations, educational resources, and institutional support from government agencies.

In this context, special attention should be given to studying the mechanisms of legal support for small and medium-sized businesses in the U.S., including analysis of the key elements of the legal infrastructure, its informational foundation, and the role of institutions such as the Small Business Administration (SBA) and the Small Business Development Centers (SBDC) network. Understanding these aspects is essential for shaping effective SME support models in countries striving for sustainable economic growth and inclusive development.

Literature Review

The issue of legal infrastructure for SME support in the U.S. has been extensively examined in foreign academic literature. While some sources are published on official and expert online platforms, the scientific foundation of this research is supported by authors such as E.V. De Barbieri [4], who explores the role of local legal support in small business development, focusing on urban and regulatory aspects. A significant contribution was also made by a team of authors under the auspices of Harvard University [8], analyzing the effectiveness of legal services available to small businesses and emphasizing the importance of partnerships between public and private legal entities.

This study also draws on materials from official U.S. government sources, such as the U.S. Small Business Administration [1, 6], which provides insights into current trends, regulatory requirements, and SME support infrastructure. The U.S. General Services Administration [5] highlights procedural aspects of business formation, while the U.S. Department of the Treasury [7] outlines financial support programs for small enterprises.

Additionally, the analysis is supported by publications in modern expert online outlets. For instance, the GlobalPeopleStrategist website [2] offers guidance on legal compliance for small businesses, while the McKinsey & Co platform [3] discusses the strategic importance of small businesses in the national economy. Sources such as ClearlyPayments [9] and Sellerscommerce [10] provide up-to-date statistical information on the development of small business in the U.S.

The aim of the article is to analyze the legal infrastructure supporting small and medium-sized businesses in the U.S., its institutional framework, functional components, and informational mechanisms that contribute to the sustainable development of entrepreneurship.

Research results

The state of small and medium-sized business in the U.S. in recent years has been characterized by steady growth in numbers, a strong contribution to GDP, significant employment generation, and wide sectoral coverage. In 2025, the country had approximately 34.8 million small businesses, accounting for 99.9% of all business entities. This share has

remained stable over the past decade, demonstrating the systemic importance of small business in the American economy [10], as shown in Figure 1.

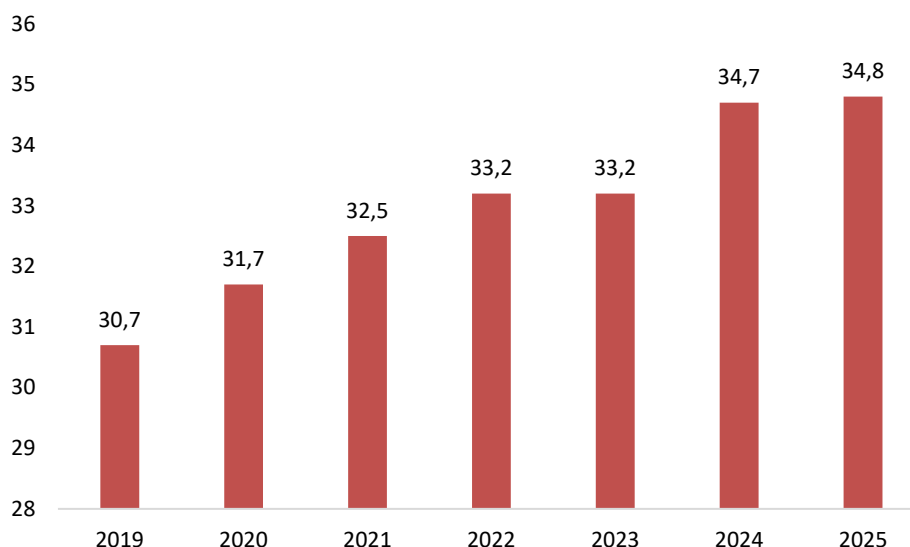


Figure 1. Change in the number of small businesses in recent years [10]

In 2025, 82% of small businesses in the U.S. had no employees – these are known as non-employer firms. Their number stood at approximately 28.4 million, which highlights the widespread prevalence of self-employment and individual entrepreneurial activity in the country [10].

Small and medium-sized businesses (SMBs) account for 99.9% of all enterprises in the United States, with around 89% employing fewer than 20 people. Their contribution to the country's GDP is approximately 44% [8].

In terms of total revenue, all U.S. businesses generated \$27–28 trillion in 2023, with small businesses accounting for 44% of that amount [9].

The most common sector among small businesses is services, which includes roughly 70% of small enterprises. Within this sector, the leading areas are professional, scientific, and technical services; healthcare and social assistance; accommodation and food services. Other significant industries include: retail trade – 12%; construction – 10%; manufacturing – 8% [9].

As of 2025, the main challenges faced by small businesses in the U.S. are predominantly economic and relate to both the external macroeconomic environment and internal constraints on entrepreneurial activity. According to research conducted by Sellerscommerce [11], the most frequently cited issue by small business owners is inflation, identified as the primary concern by 24% of respondents. Rising costs for raw materials, rent, energy, and logistics reduce profitability and complicate strategic planning.

Another 21% of respondents pointed to a shortage of qualified labor, which makes it difficult to hire competent staff in a competitive labor market, especially in service industries, technical occupations, and specialized services [11]. Other significant challenges include tax burdens (13%); high labor costs (9%); and excessive regulatory pressure (8%) [11].

Government support for small and medium-sized businesses (SMBs) in the United States is multi-level and includes direct funding, as well as institutional, advisory, and infrastructural assistance. The key government bodies implementing SMB support policies are:

- the U.S. Department of the Treasury;
- the Small Business Administration (SBA);

- interagency initiatives involving other federal agencies.

The U.S. Department of the Treasury administers several specialized programs aimed at increasing access to capital and lending. The State Small Business Credit Initiative (SSBCI) allocates funds to state-level programs that support private lending for creditworthy small businesses unable to secure market-based financing. This program is designed to stimulate manufacturing expansion and job creation in the small business sector [7].

Another support mechanism is the Small Business Lending Fund (SBLF), which invested over \$4 billion in 332 financial institutions to promote small business lending through community banks and credit unions. The investment structure under this program was crafted to incentivize institutions to increase lending to “Main Street businesses” [7].

The Community Development Financial Institutions (CDFI) Fund is another important tool aimed at economic revitalization and development in low-income communities. It operates through several programs, including the Community Development Financial Institutions Program, New Markets Tax Credit Program, CDFI Bond Guarantee Program, and Native American CDFI Assistance Program. These initiatives focus on capitalizing mission-driven financial institutions and supporting entrepreneurship in under-resourced regions [7].

In addition, the Office of Small and Disadvantaged Business Utilization provides advisory assistance to small, underrepresented, and historically underserved businesses in navigating government contracts and participating in public procurement. Interagency coordination is managed by the Interagency Community Investment Committee (ICIC), which develops practical guides for business owners seeking support in their local communities.

The U.S. Small Business Administration (SBA) implements a separate set of programs. While the SBA does not provide direct grants for starting or expanding businesses, it actively supports entrepreneurial infrastructure. Key SBA programs include:

- SBIR (Small Business Innovation Research) and STTR (Small Business Technology Transfer) – grants for scientific research and R&D;
- STEP (State Trade Expansion Program) – export support for small businesses;
- funding for local entrepreneurship development initiatives through partner centers [1].

The USAGov web portal serves as a centralized platform for public services, providing access to information on business formation, financing, disaster relief, and specialized programs for entrepreneurs from various social groups. USAGov also helps users find local support, training courses, digital transformation tools, and legal consultation services [5].

In response to the economic inequality exacerbated by the COVID-19 pandemic, the U.S. government launched a number of targeted small business support programs, including the Paycheck Protection Program (PPP) and the Opportunity Zones investment mechanism. While the initial rollout of PPP revealed unequal access to funding for businesses owned by marginalized groups, subsequent rounds – aided by legislative amendments such as the Economic Aid Act – were more inclusive, prioritizing microenterprises and facilitating access through mission-based financial institutions. In contrast, the Opportunity Zones program has faced criticism for its limited impact on improving living conditions in target areas, as it tends to focus more on investor interests [4].

The United States has built a comprehensive legal infrastructure for small and medium-sized businesses (SMBs) that ensures legal certainty, reduces risks, and supports transparent business operations in a dynamic legal environment. This infrastructure includes both regulatory foundations (registration, licensing, taxation, etc.) and institutional support (advisory services, training, legal tools). The core components of the legal infrastructure include:

- legal and regulatory frameworks;

- contract enforcement tools;
- compliance monitoring systems;
- advisory platforms;
- support in labor, tax, informational, and intellectual property law.

Table 1 – Key components of the U.S. legal infrastructure for supporting small and medium-sized businesses

Legal infrastructure component	Functional purpose	Institutional support
Legal and regulatory frameworks	Ensuring lawful operation through registration, licensing, and legal compliance	SBA, USAGov, IRS
Contract enforcement tools	Regulating contract procedures, tender conditions, and participation in procurement	SBA Contracting Guide, federal agencies
Compliance monitoring systems	Overseeing adherence to safety standards, tax, and labor reporting requirements	IRS, U.S. Department of Labor
Advisory platforms	Providing legal advice on business operations, including registration, taxation, insurance	SBDC, SBA, USAGov
Labor law support	Ensuring compliance with employment standards, occupational safety, and equality	U.S. Department of Labor, EEOC
Tax law support	Fulfilling reporting obligations, tax payments, and bookkeeping	IRS, local tax offices
Information law support	Protecting personal data and ensuring digital security compliance	FTC, CCPA, GDPR providers
Intellectual property law support	Protecting and registering intellectual property rights (trademarks, patents, copyrights)	USPTO, SBA IP Guidance
Access to government contracts	Providing information and assistance on participating in public procurement	SBA, federal agencies (DoD, GSA, and others)
Legal assistance centers (Small Business Development Centers, SBDC)	Local legal support, training, and consulting for entrepreneurs	SBDC in partnership with SBA, universities

The U.S. Small Business Administration (SBA) plays a key role in ensuring small businesses have access to legal procedures. Through its Contracting Guide, the SBA offers detailed instructions on how to engage in federal contracting. The guide covers areas such as assessing a business's readiness to participate in procurement, types of contracts, size standards, application procedures, and compliance with federal regulations and obligations related to government tenders. The SBA also provides targeted consulting services for women-owned businesses, veterans, minorities, and socially disadvantaged groups [1].

An essential element of the legal infrastructure is ensuring legal compliance. Small businesses are required to adhere to a number of critical regulatory standards [2]:

1. Business registration and licensing, including selecting the appropriate ownership structure (sole proprietorship, LLC, corporation), registering the business name, and obtaining industry-specific permits.
2. Tax compliance, which involves registering for an Employer Identification Number (EIN), sales tax reporting, payroll taxes, and maintaining financial records.
3. Labor law adherence, including compliance with equal employment standards, minimum wage laws, workplace safety, social benefits, and insurance requirements.
4. Data protection in line with acts such as the California Consumer Privacy Act (CCPA) and the General Data Protection Regulation (GDPR), requiring businesses to maintain cybersecurity and privacy policies.
5. Consumer rights protection, which includes truthful advertising, return policies, and product safety standards compliance.
6. Intellectual property protection – registering trademarks, patents, and copyrights.
7. Environmental regulation – meeting requirements related to waste disposal, energy efficiency, and emissions control [2].

Managing legal compliance involves implementing strategies such as developing internal policies, conducting employee training, tracking licenses, tax filings, employment contracts, and using software to automate legal processes [2].

Additional legal support is available through the Small Business Development Centers (SBDC) network, which partners with the SBA. These centers offer one-on-one consultations, training, and technical assistance. Legal topics addressed by SBDCs include ownership structure, contract preparation, risk management, human resources administration, and commercial law [6].

Thus, the legal infrastructure for small businesses in the U.S. is built on the interaction between regulatory acts, advisory support, digital services, and institutional channels (SBA, SBDC). This system helps entrepreneurs avoid legal risks and actively use legal tools to scale their operations and engage with both public and private sector partners.

Information support for small businesses in the U.S. is provided through a number of government web portals that deliver official, current, and comprehensive resources to support entrepreneurs throughout the business cycle – from planning to scaling. The main sources of this information are federal agency websites focused on small business development and the provision of financial, educational, legal, and advisory services.

The central information hub is the official website of the U.S. Small Business Administration (SBA) – www.sba.gov. This portal is the government's primary resource offering practical guidance for starting, managing, and growing a business [1].

Another important resource is USAGov – www.usa.gov/start-business – which aggregates government information for entrepreneurs in an accessible format. This site addresses basic entrepreneurial needs, including how to start a business, obtain licenses, find federal or local financial support, and receive consultations, particularly for veterans, women entrepreneurs, minority groups, and rural populations.

A third key element of the information infrastructure is the Small Business Development Centers (SBDC) network – sba.gov/sbdc. These centers, in cooperation with the SBA, provide personalized consulting, business training, and technical assistance. Online SBDC resources offer access to practical tools for business planning, financial forecasting, digital marketing, export strategy, and workforce management. The SBDC network operates in all U.S. states and is accessible through online tools that help entrepreneurs locate local support [6].

In the coming years, small and medium-sized business development in the U.S. will focus on addressing productivity challenges, integrating emerging technologies such as generative

artificial intelligence, and strengthening partnerships between small and large enterprises. According to the SBA's Small Business Trends for 2025 report, key development directions include digitalization through e-commerce, enhanced online marketing, adoption of AI solutions, and improved cybersecurity standards. These trends are aimed at increasing the competitiveness of small businesses in the evolving digital economy.

At the same time, research by McKinsey emphasizes that improving the productivity of small businesses is of systemic importance to the national economy. Closing the productivity gap between small and large businesses could potentially add up to 5.4% to U.S. GDP. Future strategies include building support infrastructure for SMEs (networks, shared technology platforms, training programs); boosting collaboration with large companies through joint supply chains and investment initiatives; developing business clusters (such as the agtech cluster in Sacramento); and expanding access to markets and capital. These steps would help small businesses scale innovation, increase exports, enhance technological maturity, and ensure sustainable economic growth [3].

Conclusions

Small and medium-sized businesses (SMBs) play a strategic role in the socio-economic development of the United States, accounting for over 99% of business entities, nearly half of private sector employment, and a significant share of GDP. The U.S. model of SMBs is distinguished by the stable number of enterprises, dominance of the service sector, high rate of self-employment, and flexible adaptation to market changes. At the same time, the sector faces multiple challenges – rising costs, labor shortages, unequal access to financing, and a heavy regulatory burden – highlighting the need for consistent government support.

The legal infrastructure holds a central place in the institutional model of SMB support, combining regulatory frameworks, advisory and educational services, access to legal tools, and digital services. Its main components include compliance with registration, licensing, tax, and labor regulations, as well as the protection of consumer and intellectual property rights. Federal agencies (SBA, IRS, Department of Labor) play a coordinating role, ensuring access to legal information, contract participation, and legal consultation through specialized programs such as the Contracting Guide, SBDC, and others. This system reduces legal risks for entrepreneurs and fosters greater involvement of SMBs in domestic and international economic processes.

Information support for SMBs in the U.S. is delivered through an integrated network of government portals (SBA.gov, USA.gov, sbdc.gov), which provide up-to-date legal, financial, and advisory information. Digitalization – including the growth of e-commerce, the application of artificial intelligence, and cybersecurity – defines the strategic trajectory of SMB development in the coming years. Future initiatives are focused on bridging the productivity gap between small and large businesses, creating cluster-based infrastructure, and improving access to markets and investment. In this context, building an integrated legal and informational ecosystem is a key condition for the sustainable growth and competitiveness of small and medium-sized businesses in the U.S.

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