# Chapter 1 - Introduction

## 1.1 Background

The modern technological world is driven by the software development industry, and millions of software engineers worldwide are among the highest-paid professionals. Companies invest heavily in this workforce to develop and maintain software, leading to substantial labor costs.

Recently, large language models (LLMs) have emerged as powerful tools capable of automating code generation from natural language descriptions, thus enhancing the software engineering efficiency.

According to (McKinsey Report, 2023), generative AI can significantly decrease the time developers spend on coding - by up to 45% - which can enable companies to reduce labor costs. This efficiency gain is particularly impactful for large-scale projects where even marginal improvements translate into significant cost reductions.

Automating code generation also leads to improved code quality through consistent adherence to coding standards and best practices. Studies like (Almeida Y. et al, 2024) and (Martinović B. and Rozić R., 2024) highlight how consistent and well-structured code generated by AI-enhanced tools contributes to minimizing human errors and bugs. In (Kalliamvakou, 2024), GitHub concluded that developers using GitHub Copilot finished their tasks 55% faster than the developers who preferred not to use GitHub Copilot. But developer productivity goes beyond speed - according to the same study between 60–75% of developers reported that they feel more fulfilled with their job, feel less frustrated, and can focus on more satisfying work when using GitHub Copilot.

In accordance with (Gartner Report, 2023), accelerated development cycles allow companies to bring products to market more quickly, providing a significant competitive edge by reducing manual coding time and streamlining development processes.

According to Google's CEO Sundar Pichai (Pichai, 2024) AI tools are already having a sizable impact on software development, and more than 25% of new code at Google is AI-generated. This helps Google engineers achieve more and work faster.

Google developers aren't the only programmers using AI to assist with coding tasks. According to Stack Overflow's 2024 Developer Survey (Stack Overflow, 2024), over 76% of all respondents are already using or plan to use AI tools in the development process this year, with 62% actively using them. A 2023 GitHub survey (Shani S. & GitHub Staff. 2023) showed that 92 percent of US software engineers are using AI tools for coding tasks in and outside of work.

However, the use of proprietary LLMs poses significant challenges regarding sensitive data protection and intellectual property rights. Developers often need to use proprietary or confidential information either to train these models or at the time of inference, risking data breaches and unauthorized access to intellectual property. This not only jeopardizes a company's competitive advantage but also exposes it to legal liabilities.

To address these concerns, companies could use small language models (SLMs) boosted by agents and deployed in resource-constrained and secure environments. SLM-based agents offer a cost-effective and privacy-preserving alternative to proprietary LLMs. They enable organizations to automate the creation of basic code routines without compromising sensitive data, which reduces the time developers spend on manual coding. This approach is especially beneficial for understaffed projects, providing efficient solutions without the need to hire additional software engineers for routine tasks.

Leveraging SLM-based agents for automated code generation addresses the dual challenge of making the process of writing code more efficient and protecting sensitive data. Furthermore, companies with limited financial resources that prefer not to hire many software engineers, can leverage this technology to efficiently write code while using a small workforce and achieve what would have been impossible just several years ago. This approach enables companies to optimize developer productivity, enhance code quality, and accelerate time-to-market, all while ensuring data confidentiality.

## 1.2 Research Motivation

The primary motivation for this research is ensuring efficiency, cost reduction, and data privacy in software development. As someone who worked for several large companies that had classified proprietary information or intellectual property, we can state that there is an evident trend that companies are reluctant to use LLMs for data privacy and security reasons.

While LLMs have demonstrated remarkable capabilities in automating code generation from natural language descriptions, they pose significant challenges related to sensitive data protection and intellectual property rights. Using proprietary LLMs often requires transmitting confidential information to third-party servers, raising concerns about data breaches and unauthorized access to proprietary code. This not only risks a company's competitive advantage but also exposes it to potential legal liabilities.

On the other hand, these companies could use SLMs to provide a similar level of solution quality. By conducting this research, we aim to develop a solution that leverages the advantages of SLMs while minimizing their limitations compared to LLMs. To address these challenges, there is a strong motivation to explore the use of SLMs enhanced by agents for automated code generation within secure, resource-constrained environments. SLM-based agents offer several compelling benefits:

1. **Deploying SLMs in-house** ensures that sensitive data and intellectual property remain within the organization's secure environment.
2. **SLMs are generally more cost-effective** than proprietary LLMs which makes advanced code generation capabilities more accessible to organizations with limited resources.
3. SLMs don’t require **massive GPU clusters** to fine-tune.
4. SLM-based agents can consistently adhere to **coding standards and best practices**, reducing human errors and bugs.
5. **Faster development cycles** enable companies to bring products to market more quickly, providing a competitive edge in rapidly evolving industries.
6. In understaffed projects, SLM-based agents can compensate for **limited human resources** by efficiently generating code, reducing the need to hire additional developers for routine tasks.
7. Researching how to enhance SLMs with agent-based architectures **contributes to the broader field of AI and machine learning**, pushing the boundaries of what smaller models can achieve in specialized tasks like code generation.

## 1.3 Problem Statement

*Using proprietary large language models (LLMs) to automatically generate code is costly and not safe from the sensitive data protection and intellectual property standpoints forcing developers to spend twice as much time writing code manually.*

Proprietary LLMs are expensive in deployment and/or inference and expose sensitive data, pushing teams to code manually, slowing development and increasing costs. Data privacy and intellectual property risks with proprietary LLMs discourage their use, compelling developers to spend more time coding manually

## 1.4 Thesis Statement

*Agents based on open-source small language models (SLM) deployed in resource-constrained environments for automated code generation will ensure lower costs and sensitive data protection, reducing the manual coding time and speeding up development cycle.*

By paving the road for automated code generation, SLM-based agents reduce the overall time developers spend writing code while still preserving data privacy. This research introduces a novel approach by leveraging SLM-based agents to automate code generation from natural language descriptions, surpassing SLMs and attempting to approach the proprietary LLMs in code quality. Python software developers may use such a product to automatically generate code while ensuring sensitive data protection and reducing time for manual coding.

## 1.5 Research Objectives

The primary objective of this research is to develop and evaluate an agent-based system utilizing SLMs to automatically generate code from natural language descriptions. The study aims to bridge the performance gap between SLMs and proprietary LLMs in code generation tasks while ensuring data privacy and cost efficiency.

Since LLMs are costly and require investments into training data and large GPU clusters, companies can deploy more accessible SLMs. A tradeoff would be the lack of quality of LLMs, but using agents can make it competitive with LLMs to a certain degree Hence, the study aims to enhance and evaluate the code generation quality while ensuring data privacy and security, improving the cost efficiency and developer productivity, and accelerating time-to-market.

By achieving these objectives, the research aims to create a viable, secure, and efficient alternative to proprietary LLMs for automated code generation.

## 1.6 Research Questions and Hypotheses

Below is a list of research questions studied in the current Praxis, as well as hypotheses that need to be proved in the end of the Praxis cycle.

**Research question 1:** Will fine-tuning SLMs used by agents result in higher code generation quality as measured by the maintainability index?

**Research question 2:** Will changing SLM parameters, such as temperature and top-p, ensure greater code quality based on lower cyclomatic complexity??

**Research question 3:** Which agentic workflow, reflection or multi-agent collaboration, leads to a greater number of tests passed?

**Hypothesis 1**: Fine-tuning SLMs on domain-specific data will noticeably increase the maintainability index compared to using an LLM without fine-tuning.

**Hypothesis 2**: Adjusting SLM parameters, such as temperature and top-p, will noticeably improve the cyclomatic complexity of auto-generated code.

**Hypothesis 3:** Multi-agent collaboration will lead to a noticeably greater number of tests passed compared to the reflection agentic workflow.

## 1.7 Scope of Research

This research aims to assess the feasibility and competitiveness of using SLMs enhanced with agent-based architectures for automated code generation from natural language descriptions. It involves the following key activities:

* **Establishing the current benchmarks for code generation** by LLMs and SLMs using public leaderboards.
* **Selecting one or several SLMs** which can be used as is or which can be additionally fine-tuned on public code generation datasets in order to enhance their code generation capabilities.
* **Developing agent-based architectures** that integrate with SLMs to enhance their reasoning, planning, and problem-solving abilities facilitating the decomposition of complex coding tasks into manageable subtasks, enabling iterative refinement, and incorporating feedback mechanisms to improve code generation outputs.
* **Conducting systematic experiments** to assess the performance of the enhanced SLMs in automated code generation tasks on a variety of coding challenges based on natural language descriptions.
* **Utilizing quantifiable evaluation metrics** to evaluate the quality, correctness, and efficiency of the generated code.
* **Documenting the methodologies, experiments, and findings** comprehensively to contribute to the academic community.

## 1.8 Research Limitations

This research on SLMs enhanced by agent-based architectures for automated code generation has several limitations that may impact the scope, applicability, and generalizability of the findings. Recognizing these limitations is essential for interpreting the results accurately and identifying areas that require further investigation.

First of all, a fundamental limitation of this study is the fact that due to their smaller size and fewer training parameters, SLMs may not achieve the same level of sophistication, contextual understanding, and code generation quality as LLMs. Despite enhancing SLMs with agentic workflows, there may still be a noticeable gap in complex code generation tasks where LLMs excel. Also, the research focuses exclusively on SLMs and does not include the implementation of similar experiments using LLMs. Any comparisons drawn between SLM-based agents and proprietary LLMs rely on existing literature or reported benchmarks.

The study is conducted within the confines of limited hardware and computational resources, which are representative of resource-constrained environments typical for organizations without extensive infrastructure. This restricts the extent of model fine-tuning, the size of datasets processed, and the complexity of agentic architectures employed which could impact the final results. The one year allocated for this research may limit the depth and breadth of exploration possible - not all SLMs, programming languages, agentic workflows, or evaluation metrics can be exhaustively examined during this relative short period of time. That is why this study is confined to Python code generation and specific agentic workflows — namely, reflection and multi-agent collaboration — which may not capture the full spectrum of potential strategies. Also, the research specifically focuses on code generation from natural language descriptions and does not address other aspects of software engineering automation, such as code refactoring, bug detection, or code optimization.

The datasets used for fine-tuning and evaluating SLMs are limited to publicly available ones. The absence of proprietary, domain-specific, or larger-scale datasets may affect the models' ability to generalize to real-world applications, and the quality and diversity of these datasets may influence performance outcomes. In addition, SLMs trained on publicly available data may inadvertently learn and propagate biases present in the training data. The research does not specifically address bias detection or mitigation strategies, which could impact the fairness, ethical considerations, and acceptance of the generated code in sensitive applications.

Although a key motivation for using SLMs is to enhance data privacy by keeping computations in-house, the research does not delve deeply into the implementation of robust data protection measures. Additionally, the rapid evolution of AI technologies means that newer SLMs or alternative methods may emerge by the time of publication, potentially surpassing the models and approaches evaluated in this study and affecting the relevance and applicability of the findings.

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## 1.9 Organization of Praxis

This Praxis has the following structure: the current *Introduction* chapter will be followed by Chapter 2 *Literature Review* describing the research performed in the field to date to solve similar problems. It includes a careful, but critical comparison of available work described in the literature that is directly related to the problem at hand.

Chapter 3 *Research Methodology* conveys a complete understanding of the methodology used to conduct the research capturing assumptions, ease of use, input data, expected output results, constraints, required adaptations, and other important aspects.

Chapter 4 *Results* demonstrate the actual outputs of the steps described in the methodology highlighting the results accomplished after each step of the methodology. It may contain descriptive statistics, charts, tables, and other visual representations of the work conducted in the Praxis. This chapter also summarizes key findings and compares results of various methods examined, final performance, etc.

Chapter 5 *Discussion and Conclusions* outlines how the findings of the study are related to the research questions and hypotheses.

The *References* section lists all information sources used to justify or conduct the research or which were mentioned / cited in the Praxis.

# Chapter 2—Literature Review

## 2.1 Introduction

Code assistance encompasses a broad range of tools, techniques, and methodologies aimed at supporting developers through the code development. As programming challenges become more intricate, these assistants significantly boost developer efficiency, minimize mistakes, and streamline the coding process. Such support may appear in multiple forms, including automated code suggestions, error identification and resolution, code generation, documentation, and context-specific recommendations. In this field, language models have become essential, enabling developers to access informed hints, produce code segments, and generally improve their coding expertise (Soliman, 2024).

(Coutinho et al., 2024) explore how generative AI tools affect productivity in real-world software development settings. By distributing licenses for different generative AI solutions (e.g., ChatGPT, GitHub Copilot) to professionals working in different roles (developers, designers, data scientists, QA specialists, and coaches), the authors gather qualitative insights on how these tools fit into day-to-day activities. Participants generally report positive impact on their perceived productivity, particularly through time savings, efficient artifact generation, and quick access to information. However, respondents also face challenges such as ensuring reliability, refining outputs, and addressing security concerns when handling sensitive data. While the study is limited, it sets the groundwork for more comprehensive future research. Its findings suggest that generative AI can enhance workflow efficiency and knowledge acquisition, but further empirical studies are needed to fully understand and quantify the productivity gains.

The study in (Martinović & Rozić, 2024) investigates how developers perceive the influence of AI-based tools on the quality of produced code. The authors present findings drawn from a survey targeting developers in various tech companies, exploring their experiences and satisfaction levels with AI-driven coding assistants. They focus particularly on metrics such as code readability, maintainability, efficiency, and accuracy, examining whether AI support can enhance these code quality dimensions. Their results highlight that developers, for the most part, recognize a positive impact on their productivity and overall coding experience, though improvements in certain quality aspects remain uneven. More than three-quarters of developers stated that their adoption of AI tools improved their day-to-day development work. While respondents reported noticeable gains in maintainability and efficiency, perceptions of improved readability and accuracy were more modest.

Additionally, the paper compares users who frequently rely on AI with those who have chosen not to adopt these tools. Non-users cite concerns about affordability, trust, and clarity of the potential benefits as key reasons for their hesitation. As AI capabilities become more refined—offering consistent code improvements, stronger accuracy, and better integration into established workflows—more developers may embrace these solutions.

Another interesting study was conducted in (Ciniselli et al., 2024) where the authors envision how AI-driven assistance will reshape software developers’ daily work by the year 2030. They compare current AI-based coding practices - exemplified by tools like GitHub Copilot and ChatGPT - with a future scenario in which developers rely on a hypothetical augmented tool, “HyperAssistant,” for end-to-end support. The proposed future assistant addresses a broad set of needs: it proactively manages developers’ mental well-being, detects and fixes complex faults, streamlines code optimization and reuse, facilitates dynamic team collaboration, and offers personalized learning and skill development resources. By examining this transition from human-led coding toward orchestrating AI-driven ecosystems, the authors highlight how developers’ roles may evolve, ultimately leading to more efficient, secure, and sustainable software engineering processes.

**2.2 Automatic Code Generation (Before GPT)**

Recently, LLMs have revolutionized automated code generation by effectively translating natural language intent into code. Early methods relied on RNNs or syntax-driven approaches, which struggled with complex, long-range dependencies. The introduction of transformers, originally developed for NLP, significantly improved performance. By integrating encoder models like BERT or RoBERTa with Marian decoders, researchers achieved state-of-the-art results on benchmarks such as CoNaLa and DJANGO. These hybrid models enhance syntax, semantics, and developer productivity through intelligent autocompletion, context-aware suggestions, and inline documentation. Additionally, built-in linting, formatting, and error-checking further streamline development. Overall, LLMs are dramatically boosting the accuracy and efficiency of modern code generation (Soliman, 2024).

CodeBERT, a transformer-based model, exemplifies the potential of pre-trained models in integrating natural language (NL) and programming language (PL) tasks. By training on paired NL-PL data (e.g., code snippets and documentation) and standalone code, it employs masked language modeling and replaced token detection to capture semantic correspondences between NL descriptions and code functionality. CodeBERT excels in tasks like code search and documentation generation, producing accurate and informative outputs by leveraging its joint understanding of NL and PL. Its ability to generalize across multiple programming languages, including those unseen during training, highlights the promise of combining bimodal pre-training objectives with large-scale NL-PL resources. This paradigm sets a foundation for advancing code-related models with structural insights, advanced reasoning, and domain-specific customizations (Feng, Z. 2020).

(Defferrard et al., 2024) explore how to build and refine code generation models entirely from scratch, without relying on human-created code corpora. The authors develop a self-improvement approach that combines a neural language model with a search-based procedure, following an “expert iteration” paradigm. In this setup, search methods (such as Monte Carlo Tree Search or sampling-and-filtering approaches) discover programs that solve given programming problems, and these newly found solutions are used as training data to improve the language model. As the model becomes better at coding tasks, the search becomes more efficient at finding higher-quality solutions, enabling the model to tackle even more challenging problems. The study systematically examines how factors like search budget, problem complexity, and the relative allocation of computation to search versus training affect the learning process. Results show that even small, randomly initialized language models can gradually internalize programming competencies through this iterative search-and-learn framework, advancing their code generation abilities without human-written examples.

(Almeida Y., 2024) introduces a GPT-3.5-powered IntelliJ IDEA plugin designed to automate code reviews. AICodeReview identifies syntax errors, logic flaws, and vulnerabilities while offering actionable improvement suggestions with detailed explanations. The tool supports multiple programming languages, customizable suggestions, and integration with JetBrains products. A preliminary evaluation showed that AICodeReview significantly outperformed manual reviews, reducing review time (15.2 vs. 22.5 minutes), detecting more code smells (28 vs. 20), and improving refactoring outcomes (25 vs. 13). This work emphasizes the effectiveness of LLMs in streamlining software development processes.

(Ottens et al., 2024) explore the use of pre-trained language models for Python code generation, focusing on completing function bodies given function signatures and docstrings. Using the CodeSearchNet dataset, the authors compare baseline models, including a sequence-to-sequence RNN and character-level embeddings, against a fine-tuned GPT-2 model. The latter demonstrates superior performance, achieving a BLEU score of 0.22—a 46% improvement over the baseline. The study highlights GPT-2's ability to adapt to programming languages by leveraging transfer learning techniques originally designed for natural language processing. Generated code is both novel and syntactically correct, showcasing understanding of Python structures. This work emphasizes the potential of LLMs in automating software development tasks while improving efficiency and quality.

(Le et al., 2020) offers a comprehensive review of deep learning (DL) applications in source code modeling and generation. The authors analyze the evolution of DL techniques, particularly in Natural Language Processing (NLP), and their adaptation to programming tasks such as source code generation, bug detection, and program synthesis. They present a framework for understanding common program learning tasks using encoder-decoder architectures, emphasizing their strengths in capturing both syntactic and semantic structures of code.

The review categorizes Big Code tasks under the encoder-decoder framework, exploring advancements in attention mechanisms, memory-augmented networks, and open-vocabulary models that address challenges like handling large code vocabularies and maintaining syntactic correctness.

(Zhou et al., 2023) propose DocPrompting, a method that enhances automatic code generation by incorporating code documentation into the process, addressing the limitations of models that struggle with unfamiliar or newly introduced libraries and functions. Mimicking the human practice of consulting documentation, DocPrompting retrieves relevant documentation snippets based on a natural language (NL) intent and combines them with the NL input to generate accurate code. By enabling models to adapt to evolving programming environments, DocPrompting represents a significant step forward in enhancing the adaptability and functionality of code generation systems.

(Li et al., 2023) introduce SKCODER, a similar approach to automatic code generation that emulates human developers' practice of reusing code. Rather than simply copying similar code snippets, SKCODER extracts a high-level code sketch from retrieved snippets that align with natural language (NL) requirements and refines this sketch into a complete solution. The system consists of three components: a retriever to locate relevant code, a sketcher to create a structured skeleton, and an editor to adapt the sketch to the desired task. Experiments on multiple datasets, including a new large-scale Java dataset, show that SKCODER outperforms models like CodeT5 and REDCODER in accuracy and quality metrics. Its sketch-based method generalizes well across architectures, producing more precise, maintainable, and functional code compared to copy-based or purely generative models, advancing automated code generation toward human-like code reuse.

## 2.3 LLMs

**2.3.1 LLMs: Overview**

(Minae et al., 2012) provide a comprehensive survey of Large Language Models (LLMs), how LLMs have evolved to revolutionize NLP and AI at large, while acknowledging existing limitations and pointing towards the active research needed to address scalability, efficiency, reliability, and broader applicability. The study describes underlying technologies and popular model families, such as encoder-only (BERT, RoBERTa, etc.), decoder-only (GPT), and encoder-decoder transformers (T5, BART), GPT, LLaMA, and PaLM families of models, other representative LLMs like FLAN, LaMDA, BLOOM, Orca, StarCoder, Gemini, etc. These models and frameworks focus on various aspects such as efficient training, multilingual support, multimodal inputs, retrieval augmentation, and improved reasoning.

The survey then describes various techniques used to develop and augment LLMs, such as positional embeddings, mixture-of-experts, subword-based tokenization, and the methods, datasets and benchmarks for training and evaluation including BLEU, ROUGE, Pass@k, SQuAD, MMLU, HumanEval, etc. LLM pre-training objectives include masked language modeling (MLM), next sentence prediction (NSP), causal language modeling (CLM), and fine-tuning and alignment techniques include supervised fine-tuning (SFT), instruction tuning (e.g., InstructGPT), Reinforcement Learning from Human Feedback (RLHF), Direct Preference Optimization (DPO), Kahneman-Tversky Optimization (KTO).

The survey covers various prompt design and engineering techniques, such as chain-of-thought (CoT), tree-of-thought (ToT), Reflection, Expert Prompting, automatic prompt engineering (APE), and numerous tools for augmentation with external knowledge, including Retrieval-Augmented Generation (RAG) and **LLM-based agents** (integrating external tools, reasoning, and decision-making). Proposed efficiency and adaptation include, among others, parameter-efficient fine-tuning (PEFT), low-rank adaptation (LoRA), knowledge distillation, quantization, etc.

Future directions and open challenges listed in the paper include: a) exploration of new model architectures beyond attention, b) handling multi-modality (text, image, audio, video), c) enhancing reliability and reducing hallucinations and, what is really important in the context of this Praxis, d) **development of smaller, more efficient models with similar capabilities as LLMs**.

(Zhao et al., 2023) and (Naveeda et al., 2024) discuss other attempts at conducting surveys of LLMs in order to describe them based on various aspects. In continuation of the topic, (Han et al., 2024) provides a comprehensive survey of parameter-efficient fine-tuning methodologies for LLMs. Another technique that is very widely used with LLMs is retrieval-augmented generation (RAG). RAG involves using a trained retriever to fetch relevant structured information and feed it into the LLM’s prompt, thereby reducing hallucination and improving the quality and trustworthiness of the generated structured output (Béchard & Ayala, 2024). Corrective retrieval-augmented generation (CRAG) is a retrieval-augmented framework that adaptively evaluates and corrects the retrieval process, leveraging large-scale web searches and selective re-composition of documents to ensure robust and improved output quality from LLMs (Yan et al., 2024). (Huang & Huang, 2024), as well as (Hu & Lu, 2024.) conduct a survey on RAG systems: the former focuses on organizing the RAG process into four key phases - pre-retrieval, retrieval, post-retrieval, and generation - to offer a detailed, retrieval-oriented perspective on their operation and development and the latter discusses RALM’s key components (retrievers, language models, and augmentation methods), how these components interact, their evolution over time, as well as evaluation methods.

**2.3.2. LLMs for Code Generation**

A Survey on LLMs for Code Generation (Jiang et al., 2024.) offers a comprehensive review of the progress and capabilities of LLMs dedicated to code generation. It addresses the current gap in literature by systematically examining the complete lifecycle of LLMs for code-related tasks, from data preparation through advanced training and evaluation methodologies. The authors begin by outlining a taxonomy to structure recent developments, including how **large-scale code datasets** are curated and processed, how models are pre-trained and fine-tuned using diverse strategies, and what role instruction tuning, prompt engineering, and retrieval-augmented methods play. Special attention is given to novel frameworks that enable repository-level understanding, autonomous coding agents, and feedback-driven reinforcement learning to improve code correctness and adapt to real-world coding challenges.

The survey also discusses evaluation practices, including standard benchmarks like HumanEval and MBPP, newly proposed metrics, and human or LLM-based assessments, highlighting the complexity of assessing code quality, correctness, and broader software engineering attributes. This survey serves as a key reference for researchers and practitioners seeking a thorough understanding of the state-of-the-art in LLMs for code generation, pinpointing opportunities for future advancements and offering a structured roadmap for progressing toward more reliable, adaptable, and context-aware AI-driven coding assistants.

A less recent article on code generation (Wodecki B. 2023) surveys the emerging landscape of text-to-code generative AI models, outlining how these systems are poised to reshape software development by converting natural language instructions into executable code. Several prominent models and tools are highlighted, including StarCoder, Codex, Copilot, Code Interpreter, CodeT5, Polycoder, and Replit’s Ghostwriter. Each system has distinct origins, technical foundations, and capabilities. For instance, StarCoder, a collaborative effort between ServiceNow and Hugging Face, is trained on a broad array of code and demonstrates notable performance on standard benchmarks. Codex, from OpenAI, underpins GitHub Copilot, enabling developers to use plain English prompts to produce code snippets in multiple programming languages. Code Interpreter, also from OpenAI, extends ChatGPT’s functionality to execute code, aiding tasks like data analysis within the chatbot interface.

CodeT5 (Salesforce) and Polycoder (Carnegie Mellon University) represent research-driven efforts to enhance code understanding and generation, focusing on tasks like defect detection and code completion, while Polycoder also emphasizes openness and surpasses Codex in some niche cases. Commercial offerings such as Replit’s Ghostwriter and Tabine integrate into existing development workflows, providing autocomplete, code translation, and conversational interfaces that assist developers in real time.

AI-assisted code generation tools, such as GitHub Copilot, Amazon CodeWhisperer, and OpenAI’s ChatGPT, are increasingly used to produce code from natural language prompts. The study in (Yetiştiren et al., 2023) compares their performance using the HumanEval Dataset and evaluates the generated code on metrics like code validity, correctness, security, reliability, and maintainability. ChatGPT, GitHub Copilot, and Amazon CodeWhisperer produce correct code 65.2%, 46.3%, and 31.1% of the time, respectively, with newer versions of GitHub Copilot and Amazon CodeWhisperer showing 18% and 7% improvements. Average technical debt from code smells is 8.9 minutes for ChatGPT, 9.1 minutes for GitHub Copilot, and 5.6 minutes for Amazon CodeWhisperer. These findings highlight the tools’ strengths and limitations and can guide practitioners in choosing the best generator for their specific development needs.

This study in (Reeves et al., 2023) examines the capability of an LLM-based code generation model (OpenAI Codex) to solve Parsons problems, a type of exercise where learners must reorder given code fragments into a correct solution. While previous work has shown these models can outperform many students in traditional code-writing tasks, the results here indicate a significantly lower success rate on Parsons problems—Codex correctly rearranges the code about half the time, and even small prompt changes influence outcomes. The model struggles particularly with problems that include extra, unused lines of code, but it rarely alters or adds lines on its own. These findings suggest that, unlike free-form coding tasks, Parsons problems may resist easy solutions from code generation tools, potentially offering educators an alternative assessment format less susceptible to student over-reliance on AI assistance.

**2.4 SLMs**

**2.4.1 SLMs: Overview**

(Nguyen et al., 2024) provide a structured overview of small language models (SLMs) and how they can be developed and optimized to operate efficiently under various constraints. The authors outline SLM model architectures designed for compactness, discuss training techniques that maintain performance while reducing computational demand, and review model compression methods such as pruning, quantization, and knowledge distillation. They introduce a taxonomy that classifies methods based on stages (e.g., pre-processing, training, post-processing) and on the optimization goals they address (e.g., memory use, inference speed, or resource limitations).

Additionally, the survey enumerates common datasets and evaluation metrics tailored to SLM scenarios, emphasizing the importance of measuring factors like latency, memory footprint, privacy, and energy efficiency. They also explore practical use cases, such as deploying SLMs on edge devices or in real-time interactive settings, and they discuss open research challenges related to model biases, hallucinations, and privacy protection.

Other papers on SLMs: (Wang et al., 2024), (Lee 2024), (Ghosh 2023), (Mok 2023), (Szczygło 2024) (Morris et al., 2024), (Kili Technology Guide, 2024), (Abbas 2024) repeat the same very important advantages of SLMs as contrasted with LLMs. According to all of these studies, SLMs have emerged as a compelling alternative to LLMs, addressing the key challenges posed by LLMs’ massive size and resource requirements. While LLMs like GPT-4 and LLaMA have demonstrated impressive capabilities in general-purpose tasks, their computational demands raise issues related to cost, scalability, privacy, and real-time inference on edge devices. Furthermore, their broad focus often leads to insufficient domain specialization and suboptimal performance in fields like healthcare or law.

In contrast, SLMs—models with significantly fewer parameters—deliver a range of advantages. They are cheaper to run, simpler to integrate, and can be efficiently deployed on a variety of devices, including local and edge systems, thereby ensuring data confidentiality. Their smaller size also makes them easier to fine-tune for specific domains, often improving accuracy and responsiveness in specialized applications while reducing reliance on large-scale cloud infrastructures. Recent research has shown that, despite their reduced complexity, SLMs can match or even surpass the performance of larger models in certain tasks, particularly when combined with techniques such as knowledge distillation, pruning, quantization, parameter-efficient fine-tuning (e.g., LoRA), or retrieval-augmentation strategies. These approaches enable SLMs to maintain strong performance using fewer parameters, less training data, and less computing power, making them ideal for domain-specific use cases.

Although SLMs may have slightly narrower capabilities than their larger counterparts, their leaner nature results in faster processing, lower latency, and improved cost-effectiveness. They are also more agile in addressing evolving business needs, enabling organizations to rapidly iterate and align models with changing requirements. SLMs’ smaller computational footprint and simplified architectures reduce operational expenses and environmental impact, while the ability to run models locally enhances data privacy and security.

As a result, SLMs are increasingly viewed as a practical and accessible path forward for businesses and research teams. Instead of committing to the resource-heavy and often costly route of massive general-purpose models, organizations can adopt SLMs that are carefully tailored, continuously evaluated, and regularly updated to meet their unique demands. By striking the right balance between size, performance, and flexibility, SLMs stand poised to drive the next wave of AI innovation, democratizing language-based intelligence and making high-quality NLP technology more broadly attainable.

(Fatima 2024) examines the increasing prominence of small language models (SLMs) in the 2024 AI landscape, focusing on five notable examples: Meta’s Llama 3, Microsoft’s Phi 3, Mistral AI’s Mixtral 8x7B, Google’s Gemma, and Apple’s OpenELM family. These SLMs offer advanced linguistic capabilities through more lightweight architectures and refined training techniques such as transfer learning, knowledge distillation, and sparse mixtures of experts. The result is an efficient, cost-effective class of models that can be integrated into a wider range of devices and applications, encouraging customization, on-device processing, and domain-specific fine-tuning. An example of using an SLM to replace an LLM is discussed in ([Murallie](https://thuwarakesh.medium.com/?source=post_page---byline--7ce1e5619f3d--------------------------------) T. 2024).

Looking ahead, SLM research points toward hybrid approaches that combine small and large models, improved architectures to streamline computation, and on-device training methods that support dynamic adaptation. This reorientation toward efficiency, sustainability, and accessibility positions SLMs as a crucial avenue for advancing NLP while respecting environmental and computational constraints (Abbas 2024).

**2.4.2. SLMs for Code Generation**

According to (Chen & Varoquaux, 2024), in the rapidly evolving landscape of artificial intelligence, the relationship between LLMs and SLMs is becoming increasingly nuanced, particularly in the domain of code generation. While LLMs have demonstrated remarkable capabilities in producing complex code snippets, they come with significant computational overhead, making them challenging to deploy in resource-constrained environments. Small models have emerged as a compelling alternative, offering a more efficient approach to code generation by leveraging techniques like data curation, prompt optimization, and domain-specific fine-tuning.

According to (Sun et al. 2024), rather than relying on brute-force scaling, recent work distills the LLM’s internal “solution plans” - obtained through techniques like backward reasoning - into smaller models. By training these models to generate both the reasoning steps and the final code, researchers have demonstrated substantial performance gains on challenging benchmarks, even surpassing standard fine-tuning methods. This equips smaller models with the underlying reasoning patterns of LLMs to improve their code generation quality and efficiency without the burdens of large-scale deployment.

A promising direction involves treating problem decomposition and solution derivation as distinct capabilities, handled by separate models. For instance, DaSLaM is a framework that splits the reasoning process into two specialized modules: a smaller, fine-tuned model dedicated to decomposing a complex problem into simpler subproblems, and a larger solver model that answers these subproblems and ultimately the original question. This modular setup is solver-agnostic, meaning the decomposition model is not tailored to any one solver and can work with a variety of large models or tools. Evaluations have demonstrated that such a division of labor can substantially boost performance on complex reasoning tasks (Juneja, G., 2024).

(Anonymous authors, 2024) introduce a training-free framework, called Agents Help Agents (AHA), for transferring knowledge from LLMs to smaller, locally run SLMs in the domain of data science code generation. Rather than using traditional fine-tuning, AHA relies on in-context learning and a staged orchestration process. First, an LLM serves as a “Teacher Agent,” guiding an SLM “Student Agent” through a problem-solving interface. By exploring code generation tasks and refining problem-solving strategies, AHA’s orchestration system collects successful examples into a memory database. During inference, this memory is mined to produce both general-purpose and query-specific instructions that help the SLM generate accurate code without extensive retraining. Evaluations show that AHA’s approach significantly improves SLM performance.

(Williams 2024) explores the growing popularity of locally hosted language models and SLMs for coding tasks, highlighting their privacy advantages, cost savings, and customization potential compared to cloud-based solutions. These models are optimized for speed and lower hardware requirements. Their ongoing improvements and the involvement of major players like Apple and Meta hint at a future with more accessible, efficient local coding models. The study covers ways to evaluate these models, lists several top contenders, and explains how each caters to different needs. While these models may not yet match the raw power of big tech offerings, they provide developers with control, privacy, and flexibility.

The study identifies the following models as great candidates for this task: Apple’s OpenELM Family (set of small language models for mobile and local deployment), DeepSeek V2.5, Qwen2.5-Coder-32B-Instruct (by Alibaba), Nxcode-CQ-7B-orpo (fine-tuned Qwen model optimized for simpler coding tasks), OpenCodeInterpreter-DS-33B, Artigenz-Coder-DS-6.7B. Benchmarks and evaluation tools discussed include HumanEval, MBPP, BigCodeBench, LiveCodeBench, EvoEval.

**2.5 Agents**

**2.5.1 Agents: Overview**

According to (Park et al., 2023), researchers have begun exploring generative agents, computational entities built on top of LLMs, to create realistic simulations of human-like behavior in interactive environments. Unlike traditional non-player characters that rely on manually scripted rules, these agents autonomously form memories of their experiences, reflect on past events, and dynamically adjust their plans over time. By incorporating mechanisms for long-term memory management, higher-level reasoning, and recursive planning, generative agents can demonstrate remarkably believable patterns of thought, social interaction, and coordination. Early demonstrations, such as populating virtual communities inspired by The Sims, show that these agents can engage in complex social behaviors—spreading information, forming relationships, and even organizing group events—without explicit human direction. This line of research suggests a paradigm shift for code generation and AI-based interactions, opening possibilities for more authentic simulations in user interfaces, game worlds, educational platforms, and social computing systems.

(Xi et al., 2023) survey recent advances in LLM-based AI agents, arguing that LLMs—with their strong language understanding, reasoning, and planning capabilities—can serve as a robust “brain” for intelligent agents. The authors propose a three-part framework: an LLM-based cognitive core (“brain”), a perception module for ingesting multimodal inputs, and an action module for complex outputs such as tool usage or environmental manipulation. (Masterman et al., 2024) also present a thorough overview of recent AI agent architectures that build on LLMs to achieve complex tasks involving intricate reasoning, planning, and external tool usage.

Both frameworks support single-agent use cases (from simple tasks to open-ended exploration) as well as multi-agent systems, where cooperation and competition emerge. Across these designs, the authors highlight key elements that facilitate robust performance: clear role assignments, structured phases of plan creation and refinement, dynamic adjustments to team composition, and efficient communication strategies. The authors also acknowledge that properly selecting between single- or multi-agent paradigms depends on problem characteristics.

(Li et al., 2024) examine how simply increasing the number of independently sampled outputs from a large language model (i.e., instantiating more “agents” from the same underlying model) and then applying a majority-vote selection can significantly boost task performance. Their comprehensive experiments span arithmetic and general reasoning challenges as well as code generation tasks, showing that this “sampling-and-voting” ensemble approach enables smaller models—when queried multiple times—to match or even surpass the performance of larger ones.

(Huang et al., 2024) explores the idea of enabling language-based autonomous agents to dynamically select and employ different problem-solving mechanisms, rather than being limited to a fixed or pre-defined sequence of steps. Various solution strategies include step-by-step reasoning, planning, memory retrieval, reflection, and external tool usage.

Collaboration among agents as one of the agentic architectures is discussed in the four papers listed next. (Wu et al, 2023) introduce AutoGen, an open-source framework for building advanced LLM-based applications by having multiple agents converse with one another. AutoGen provides a standard way for agents to exchange messages, coordinate their actions, and use external tools or human inputs. Developers can easily customize agents and program interactions using both natural language instructions and code. By breaking problems into subtasks and delegating them across different agents—such as coding assistants, reasoning specialists, or safety checkers—AutoGen streamlines the development of more capable and efficient LLM-driven systems.

(Hong et al., 2023) present MetaGPT, a multi-agent cooperation framework designed to organize LLM-driven agents into a structured “virtual team” that follows human-like Standardized Operating Procedures (SOPs). Instead of relying on unstructured conversation, MetaGPT encodes workflows into a series of role-specific prompts, clearly assigning domain experts (e.g., product managers, architects, engineers) to tackle different aspects of a software engineering project - requirements documents, system designs, and code drafts. The authors show that MetaGPT outperforms prior multi-agent chat-based systems in code generation tasks, producing more coherent and reliable solutions. This work emphasizes the potential of combining human-inspired process standards and modular role assignments with LLM-based agents, resulting in more accurate and efficient collaborative code generation processes.

(Chen, Su et al., 2024) introduce AGENTVERSE, a multi-agent coordination framework that leverages LLMs to orchestrate a team of specialized “expert” agents for complex task-solving scenarios. Rather than relying on a single agent to handle all aspects of a problem, AGENTVERSE mimics the dynamics of human groups by breaking tasks into subtasks and assigning them to different agents, each with domain-specific expertise. Evaluations show that this multi-agent approach outperforms single-agent baselines. The work highlights that carefully structured multi-agent collaboration can achieve higher efficiency and better solutions in complex, real-world tasks than solitary LLM-based agents.

(Chen, You et al., 2024) propose the Internet of Agents (IoA), a novel framework designed to facilitate LLM-driven multi-agent collaboration in a manner reminiscent of the Internet’s global connectivity. Unlike previous multi-agent systems that operate within isolated ecosystems or on a single device, IoA supports the integration of a wide array of third-party agents—each with diverse skills and tools—distributed across multiple devices and environments. The framework provides flexible mechanisms for dynamic team formation, where agents autonomously locate and recruit additional collaborators as tasks evolve. By enabling heterogeneous agents to discover each other, form nested sub-teams when needed, and efficiently manage shared dialogue states, IoA pushes beyond traditional limitations of multi-agent frameworks, thus paving the way for more scalable, robust, and versatile collaborative intelligent systems.

When it comes to evaluation of LLM-based dialog agents, (Wason et al., 2024) provide a critical examination of LLM-based dialogue agents, arguing that their real-world success depends not only on technical advancements—such as improved training pipelines and state management techniques—but also on responsible design, thorough validation, and ongoing refinement of their prompting strategies and underlying models. This work thus positions LLM-based dialogue agents as promising yet still maturing tools in domains like customer support, virtual assistance, and automatic code generation, each with its own set of unique challenges and performance criteria.

In this context, it is also worth mentioning a paper dedicated to an open-source framework for autonomous language agents described in (Zhou W. et al., 2023). It introduces AGENTS, an open-source framework designed to make creating, customizing, and deploying LLM-based autonomous language agents more accessible. AGENTS facilitates key features such as long-term memory management, versatile tool and web usage, multi-agent communication, and the ability for human users to interact with these agents. It also offers a novel concept of a symbolic plan (SOP) that provides a structured, state-based approach to controlling an agent’s actions, thereby enabling greater predictability and stability in behavior.

## 2.5.2 Agents for Code Generation

(Jin et al. 2024) conduct a broad investigation into the use of LLMs and LLM-based agents in the field of software engineering, highlighting the distinctions between these two categories and examining their evolving roles across a range of tasks. Their survey categorizes existing work into six key areas: requirements engineering, code generation and development, autonomous decision-making, design and evaluation, test generation, and security and maintenance. Within each of these domains, the authors analyze how standard LLMs and more complex LLM-based agents—capable of autonomous planning, tool usage, and self-improvement—differ in their approaches, requirements, and results.

The paper notes that while LLMs have achieved promising results in tasks like code completion and vulnerability detection, their lack of autonomy often limits them to more static, predefined tasks. LLM-based agents, on the other hand, integrate additional components and potentially multiple cooperating agents, allowing them to interact with external tools, perform multi-turn reasoning, and adapt dynamically to feedback. This shift enables more complex scenarios, such as automated software design, continuous improvement in test coverage, and robust security evaluations.

(Huang et al. 2024) provide a structured overview of how LLM-based agents are integrated into various software engineering tasks and outline their key design elements. They observe that recent approaches increasingly rely on the concept of autonomous agents—systems that perceive their environment, store and recall information, and take actions guided by large language models—to handle tasks like code generation, vulnerability detection, and requirement analysis. The authors propose a conceptual framework for LLM-based agents within software engineering, breaking it down into three primary modules: perception, memory, and action.

The perception module handles diverse input formats and transforms them into representations suitable for LLMs. The memory module manages different types of knowledge, ranging from persistent semantic information (like documentation or API references) to episodic and procedural memories that capture recent events or learned actions. The action module then enables reasoning and planning—often improved by chain-of-thought prompting—and tool usage for activities like code retrieval or debugging. They also highlight that agents can operate individually or collaboratively, with multi-agent systems dividing tasks and sharing knowledge for greater efficiency.

(He et al., 2024) outline a forward-looking perspective on employing multi-agent systems powered by LLMs to tackle complex software engineering tasks. As software projects become increasingly intricate—spanning requirements definition, code implementation, quality assurance, and maintenance—single LLM-driven agents often struggle to cope with the variety and depth of domain knowledge needed. By contrast, LLM-based multi-agent (LMA) systems promise to leverage teams of specialized agents, each with distinct capabilities, to collaboratively solve multifaceted problems.

The authors highlight three key advantages of LMA systems in software engineering contexts: a) multi-agent collaboration can improve robustness and reliability and battle hallucinations, b) such systems offer greater autonomy – task decomposition tackled independently by specialized agents, streamlining processes like design, coding, and testing without constant human oversight, c) LMA systems are naturally scalable. As project scope evolves, the system can incorporate more agents or adapt roles, enhancing its ability to handle large-scale, diverse software initiatives efficiently.

(Xia et al., 2024) present AGENTLESS, a streamlined method for tackling repository-level software development tasks using LLMs without relying on complex autonomous agents. AGENTLESS follows a simple two-step workflow of localization and repair. By first narrowing down the search space (localizing the edit region within a large codebase) and then generating a patch, this approach avoids the overhead of tool orchestration or dynamic decision-making by the LLM. Surprisingly, on the SWE-bench Lite benchmark, this simpler agentless solution not only achieves superior or competitive success rates compared to advanced agent-based systems, but also does so at substantially lower cost.

(Qian et al., 2024) introduce ChatDev. Recent advances in LLMs have begun to reshape the way complex software is developed, moving beyond specialized, single-purpose models toward more comprehensive, integrated workflows. The ChatDev framework integrates LLMs into a chat-based environment, enabling agents to engage in multi-turn, language-driven collaboration for end-to-end software production. Rather than developing specialized models tailored to each phase, ChatDev relies on LLM-powered agents guided by a “chat chain” of subtasks and a process called “communicative dehallucination.” This ensures that the agents coordinate effectively, refine their outputs through dialogue, and proactively seek clarity when instructions are ambiguous. Thus, ChatDev fosters a more coherent, flexible, and efficient software development process than the fragmented methods that preceded it.

(Zhang et al., 2024) introduce CODEAGENT, a framework designed to tackle code generation tasks at the level of entire software repositories, a setting that goes beyond the simpler function- or statement-level generation commonly examined in prior research. Recognizing that real-world code often depends on multiple interconnected components. Results show that CODEAGENT substantially improves performance over standard LLM baselines and even outperforms some commercial coding assistants. Furthermore, tests on both the new benchmark and a widely used function-level dataset demonstrate that CODEAGENT’s capabilities are both robust and transferable. Overall, this work highlights the importance of an agent-based approach paired with domain-specific tools for enabling LLMs to handle more complex, context-rich code generation scenarios common in real-world software development.

(Nguyen et al., 2024) present AGILECODER, a multi-agent software development system that uses Agile practices to better model real-world programming workflows. Existing approaches, such as ChatDev and MetaGPT, rely on a waterfall-like process and often assume LLMs can handle entire codebases and decision-making without iteration. In contrast, AGILECODER assigns roles like Product Manager, Scrum Master, Developer, Senior Developer, and Tester to different agents, who then plan, build, and refine software in iterative sprints. Each sprint includes planning, development, testing, and review phases, allowing for continuous improvement and adjustments to changing requirements.

AGILECODER surpasses existing benchmarks on standard datasets like HumanEval and MBPP, as well as on a new, more complex dataset (ProjectDev).

**2.6 Evaluation of Generated Code**

Evaluation of the generated code is a very important aspect of the automatic code generation process as it makes it possible to understand the quality of the code generation process.

(Chen et al., 2021) introduce the **HumanEval** dataset which offers a relatively small set of hand-crafted programming tasks with hidden tests—useful for quick and controlled assessments. The **APPS** benchmark introduced in (Hendrycks D. et al., 2021) positions it as a more expansive and challenging alternative. Unlike HumanEval with a limited number of function-level problems and a few test cases each, APPS comprises thousands of more complex and varied coding problems sourced from real coding competitions, each backed by extensive and diverse test inputs.

(Austin J. et al., 2021) investigate the capabilities of LLMs to synthesize code in general-purpose programming languages, focusing on Python. Their work introduces two benchmarks: **MBPP**, a dataset of nearly one thousand entry-level programming tasks, and MathQA-Python, which contains tens of thousands of math-related coding questions. They examine both few-shot prompting—providing only a handful of examples—and fine-tuning on a small subset of tasks. Their findings show that performance on code generation improves substantially as model size increases, and that fine-tuning further boosts accuracy. Also, their analysis reveals that models struggle with deeper program “understanding,” as evidenced by poor results on tasks requiring them to predict code outputs given specific inputs.

(Miah & Zhu 2024) propose a user-focused method for evaluating large language models’ effectiveness as code generation tools, using ChatGPT’s R code generation capabilities as a case study. Unlike conventional benchmarks that primarily gauge accuracy or human-level skill, their approach integrates usage-related metadata, emulates realistic user interactions through multi-attempt processes, and assesses outputs on multiple quality aspects (e.g., completeness, readability, logic structure) rather than correctness alone. They find that ChatGPT generally performs well for R programming tasks, though it struggles with more complex challenges.

(Dong et al., 2024) introduces CodeScore, a novel evaluation metric for code generation based on functional correctness, addressing limitations in traditional match-based metrics like BLEU and CodeBLEU, which emphasize surface-level similarities and fail to account for functional equivalence. CodeScore leverages LLMs fine-tuned to assess code execution through measures like PassRatio and Executability. The study highlights that CodeScore aligns closely with human judgment and effectively evaluates code in practical settings.

(Du X. et al., 2024) conduct the first evaluation of LLMs in generating Python classes composed of multiple, interdependent methods—a task more representative of real-world software development than typical function-level benchmarks like HumanEval. They introduce **ClassEval**, a manually constructed benchmark of 100 class-level code generation tasks, each with extensive tests and dependencies among methods. Their empirical study shows a substantial drop in performance compared to method-level code generation, and reveals that the best-in-class GPT models still dominate, though the relative ranking of other models changes when moving from method-level to class-level tasks.

Some of the **common problems with current evaluation datasets** are described in (Gao L., 2023). They include such facts as the data can be contaminated which means that both the HumanEval and MBPP datasets have been discussed very frequently online, and the latest language models most probably “saw” the test data from these datasets during training which may invalidate the evaluation results. Another problem is that the datasets contain coding questions that are too trivial and don’t reflect real engineering challenges. Also, the unit tests that come with these datasets may be too weak and may need improvement.

**2.7 Conclusion**

SLMs are en route to becoming an important player in the realm of AI. They perform well on specialized tasks and show high efficiency and accessibility which makes both developers and companies consider them attractive alternatives to LLMs. As more businesses refine and fine-tune SLMs, we expect to observe even faster progress in this space (Morris et al., 2024).

The potential of SLMs was further uncovered in a recent discovery made by HuggingFace researchers. (Beeching et al., 2024.) discusses an approach to improving language model performance that focuses on scaling test-time compute - essentially allowing a model to “think longer” or search more extensively during inference. By carefully allocating additional compute at test-time, even smaller models can achieve results that rival or exceed those of their much larger counterparts on challenging tasks like MATH benchmarks.

The core idea is to use dynamic inference strategies, such as iterative self-refinement or verifier-based search methods, to guide a model toward correct answers. While large models rely on their vast parameters for accuracy, small models can offset this disadvantage by systematically applying more reasoning steps and better filtering mechanisms at test-time. Crucially, these methods show that tiny 1B and 3B-parameter models can outperform models as large as 70B parameters if given enough “time to think” - that is, enough test-time search and verification cycles. This opens the door to resource-efficient LLM deployments where you don’t need massive compute for training; instead, you invest your compute at inference time, unlocking high performance from much smaller models.

By integrating these promising new SLM architectures with agent-based systems—where models interact with external tools, retrieve relevant data, and break down problems into manageable steps—we can achieve even more substantial efficiency and accuracy gains. Agents acting as orchestrators can direct an SLM’s inference strategies, selecting when and how to apply iterative refinement or verification procedures. They can determine which domain-specific resources to query and how to adaptively allocate additional compute where it matters most. This synergy allows small models not only to think more intelligently at test-time but also to operate in more dynamic, context-rich environments, performing complex tasks with higher confidence and success rates. In essence, coupling SLMs with agents amplifies their inherent strengths—cost-effectiveness, flexibility, and specialization—while strategically compensating for their smaller parameter counts, thus paving the way for more powerful, efficient, and responsive AI systems.

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