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**UNCOVERING THE DYNAMICS
OF THE SHADOW ECONOMY IN UKRAINE:
FACTORS AND REMEDIAL MEASURES**

The shadow economy has infiltrated every facet of Ukraine's economic landscape, significantly shaping the nation's economic trajectory. This phenomenon, stemming from the Soviet era, extends beyond Ukraine to other post-Soviet nations, underscoring its enduring nature [1, p. 18]. This research seeks to delve into the key drivers of shadow activities and their repercussions, emphasizing the critical need for anti-corruption measures and institutional reforms. The aim is to comprehensively understand the factors contributing to shadow activities and their implications.

Understanding the main factors that activate the spread of shadow activities in Ukraine allows working towards an effective solution to this problem and promoting sustainable socio-economic development in Ukraine. Several factors underlie the emergence and spread of shadow processes in the Ukrainian economy [2].

A prevailing factor fueling the proliferation of shadow activities in Ukraine is the presence of an unfavorable market environment. Elements such as inadequate competition, restricted access to financial resources, opacity in market operations, and lax regulatory enforcement collectively create a conducive environment for illicit practices.

The weaknesses within Ukraine's judicial system, characterized by corruption, limited independence, and inefficiency in administering justice, contribute significantly to the growth of shadow activities. These conditions foster an environment where unlawful practices can thrive.

An inadequate financial system and unstable tax legislation act as catalysts for the expansion of shadow activities. Frequent changes in tax laws create an atmosphere of uncertainty, prompting individuals and businesses to resort to informal and illegal measures to evade tax obligations.

Government regulation, often marked by inefficiencies and complex administrative procedures, plays a pivotal role in the proliferation of shadow activities. The absence of adequate oversight provides opportunities for unregulated and informal practices to flourish.

Corruption, which is prevalent in Ukraine, significantly contributes to the growth of shadow activities. High levels of corruption erode public trust, diminish institutional effectiveness, and create fertile ground for illegal activities to thrive. According to Transparency International Ukraine [3], 23% of users of public services in Ukraine reported having paid bribes in 2022. This alarming statistic emphasizes that the problem of corruption in the country remains a pressing one.

Ukraine's performance on the Corruption Perceptions Index (CPI) further underscores the impact of corruption. Ranked 116th out of 180 countries with a score of 33 out of 100 in 2022, Ukraine faces continued challenges in combating corruption. The high incidence of bribery reflects a lack of trust in official institutions and the belief that such practices are necessary to access essential services, perpetuating the shadow economy.

The intertwining of corruption and the shadow economy erodes public trust and weakens formal governance mechanisms, exacerbating the problem. The low CPI score highlights the persistence of corruption and the pressing need for comprehensive anti-corruption measures. Strengthening transparency, accountability, and integrity in both the public and private sectors, alongside implementing effective anti-corruption policies, promoting the rule of law, and enhancing the capacity

and independence of regulatory bodies, are imperative steps to reduce corruption and combat the shadow economy.

Understanding the complex factors driving the spread of shadow activities in Ukraine is essential for devising effective strategies to address this issue. Combating corruption and enhancing transparency, accountability, and integrity in governance and economic activities are pivotal for mitigating the shadow economy's impact and fostering sustainable socio-economic development in Ukraine.

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