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SHADOW ECONOMY INFLUENCE ON INNOVATION AND INVESTMENT ENTERPRISE DEVELOPMENT

The influence of the shadow economy on the business entities' innovation and investment development opportunities is explored in the article.

The author concludes that the shadow economy is an inherent part of the national economy system in Ukraine, and, according to various methodologies, the share of the shadow economy in Ukraine is estimated to be from one third to almost half of official GDP.

This high level of shadow economy plays a destructive role in the development of the national economy by distorting the conditions of doing business, reducing the budget revenues, increasing the deficit, leading to a decrease in the investment attractiveness of the country, causing negative effects on the development of all aspects of social life of the state, increasing the inefficiency of the institutions of state regulation of the economy, criminalization of society.

On the other hand, the study of its constructive role for the development of the national economy also deserves considerable attention. Shadow economy plays such a role by acting as a safe haven for profitable economic activity and offsetting the impact of legal framework and inefficiency of the economic system as a whole.

The sector of hidden economy can absorb shocks of the formal economy, thereby contributing to the stability of the system as a whole. Shadow economy is also a part of social production, it creates a certain part of the country's GDP, as well

as conditions for self-employment and new jobs. It also saturates the market in goods and services and enhances competition and allows the accumulation of idle funds. However, it is worth noting that the constructive influence of shadow economy is only beneficial to the country in short term.

While determining the effect of the shadow economy on innovation and investment development in business, the general low level of innovation activity in Ukraine should be noted. This is caused by the imperfection of business regulation, inadequate legal framework, bureaucratisation and corruption of state institutions, lack of financial resources and difficulties in raising funds for innovative projects, inadequate innovation infrastructure and lack of motivation for enterprises to innovate actively.

At the same time, innovation and investment processes are complicated by a developed informal sector of the national economy. However, the impact of the shadow economy on the innovation and investment development is not unequivocal in nature and depends on the various forms of business activity and socio-economic conditions.

The author identifies three areas of influence of the shadow economy on the innovation and investment development of companies. In one case, the shadow economy acts as a deterrent, as it involves another vector of economic activities to earn profits in the current term rather than the implementation of innovations; otherwise the shadow economy provides equal opportunities for innovation, at the same level as the official economy; finally, the shadow economy can serve as a platform for the implementation of innovative breakthroughs. The necessity for further study of the relationship of innovation and investment process and the shadow economy is substantiated in the paper.

Additional investigation is also required on finding ways of directing costs accumulated in the underground economy for the development of innovative economic activities.

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