

TRANSFORMATION OF UKRAINIAN ECONOMY IN THE PERIOD FROM 1991 TO 2022: A RETROSPECTIVE VIEW

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У статті розкрито характерні особливості розвитку економіки України та економічної політики, що проводилася з 1991 по 2023 рр. Розкрито зміст основних напрямів економічної політики в умовах ринкової трансформації в перше десятиліття незалежності України; наведено низку чинників, які гальмували здійснення трансформаційних перетворень. Зазначається, що серед труднощів на шляху становлення національної економіки в період з 1991 по 1994 роки були стара партійно-державна номенклатура, криміналізація економіки, некомпетентність керівництва, а також певна неготовність до нових економічних умов усього суспільства, яке звикло до соціалістичних стереотипів. Автори розкрили зміст економічних досягнень України в ринкових реформах кінця 90-х рр. двадцятого століття, зокрема стабілізації національної валюти; лібералізація цін, валютних курсів, механізмів зовнішньої торгівлі; призупинення товарного дефіциту. Автори представили детальний аналіз розвитку економіки України, крізь призму реформ, проведених в умовах трансформаційних змін двадцять першого століття.

Ключові слова: трансформаційні зміни, національна економіка, ВВП, індекс цін, інфляція, індекс споживчих цін, реформи, соціально-економічні показники, програми розвитку.

Statement of the problem. The main economic task in Ukraine after the declaration of its independence (August 24, 1991) was to ensure the transition from a command-centralized to a market economy and, on this basis, to raise the standard of living of the people. A transition period has begun in Ukraine, the main goal of which was to transform the social system, including all its essential components: economic, political, legal, moral [1, 2].

Ensuring such a transition was carried out on the basis of the implementation of the national economic policy approved in March 1992 by the Verkhovna Rada of Ukraine. The main directions of this policy in the conditions of market transformation were defined as follows: structural restructuring of the economy of Ukraine. Its implementation was expected due to the conversion of the defense industry; redistribution of material and labor resources in favor of those industries that provide the population with consumer goods; reorientation of mechanical engineering to meet the needs of the agro-industrial complex, light and food industry. Exit from the ruble zone was announced; introduction into the economic life of the law of Ukraine "On Privatization of Property of State Enterprises".

This created conditions for the formation of small and joint enterprises, societies of various levels of responsibility, cooperatives, etc.; implementation of the laws “On Peasant (Farm) Economy” and “On Forms of Land Ownership”, which contributed to the creation of the foundation for various market forms of land management [3, 4].

A number of factors inhibited the implementation of transformational transformations. Among them, the following are distinguished in economic science: its total expropriation inherited from a centralized economy, the dominance of monopoly, command forms and methods of economic development, structural and territorial disproportionality, significant militarization of the economy, a catastrophic ecological situation, a psychological climate of collective passivity, etc.; lack of a coherent concept of the transition to a market economy; mechanical transfer of the experience of forming a market economy in developed countries to the specific conditions of Ukraine; insufficient attitude of the country’s state apparatus to reform the economy; development of market relations in conditions of insufficient state regulation of economic processes, which led to the formation of a “wild” market; severance of economic relations with the former union republics of the Soviet Union; huge energy dependence of the Ukrainian economy on Russian energy carriers.

Analysis of recent research and publications. There are many scientific and journalistic articles and program documents that consider the issues of patterns of formation of the national economy of Ukraine and transformational changes of the economy in the 21st century. The following scientists laid the foundation for solving individual problems within the framework of this issue: O. Bohdan, V. Bazylevich, P. Bogynia [3], B. Danylyshyn [5], A. Ignatiuk, N. Kraus [4], K. Kraus [6, 7], I. Lukinov [2], N. Tymochko [8], M. Lytvyn [1], O. Manzhura [3], A. Chuhno [9, 10]; work in the practical field of new forms of formation and development of the innovative digital economy was carried out by practitioners, in particular V. Geets, A. Grytsenko, E. Libanova, T. Yefimenko, P. Poroshenko, A. Kinakh, P. Leonenko. However, at the moment, questions regarding the development of a retrospective analysis of the transformational processes that took place in the economy of Ukraine at the end of the 20th and the beginning of the 21st century and the socio-economic condition in the country under martial law, as well as the clarification of the causes and consequences, remain unsolved, reforms carried out in Ukraine over 30 years.

The purpose of the article is to study the peculiarities of the socio-economic development of Ukraine through the prism of transformational changes and reforms. Clarification of obstacles and challenges in the formation of the national economy in the conditions of openness of economies and European integration processes in the period from 1991 to 2013, presentation of existing changes from 2014 to 2023. Scientific understanding and elaboration of already existing development programs and, on the basis of this knowledge, the disclosure of today’s state of the economy.

Research methodology. The research used general scientific methods, such as methods of analysis and synthesis, induction and deduction, in order to clarify the threats and opportunities, strengths and weaknesses of the implemented reforms and implemented socio-economic development programs over 32 years. The method of scientific description made it possible to outline the main postulates of the formation of the national economy through the prism of transformational processes and reforming

the economy of Ukraine. In particular, the methods of scientific generalization used in the research helped to systematize the obtained results and, on this basis, to come to the conclusion that each of the program initiatives of various governments and presidents that were in Ukraine, one way or another, to a greater extent, were oriented to the solution of different levels of complexity of social problems and the implementation of positive changes in the economy, industry, production and improvement of the standard of living of Ukrainians.

Research Results. Before proceeding directly to the disclosure of our research on the presented topic, it is worth reminding that the state budget of Ukraine is the main financial plan of the country, which reflects the socio-economic state of the state. When forming the State budget, the main task is its balance, or, in other words, how to get closer to the ideal option. This means the full coverage of expenses with profits and the formation of a balance of funds, that is, the excess of profits over expenses. This state, at first glance, can be achieved by two means: reducing the amount of expenses; increase in profit. The main source of budget revenues is the national income. The main methods by which the state redistributes national income to create budget revenues are as follows: collection of taxes and fees; attracting loans; direct withdrawal of revenues from the state sector, receipt of revenues from state lands, property, sale of state property; emission [4, 11].

At one time, a well-known English economist with a world name, Adam Smith, said in 1776 that “the only good budget is a balanced budget” [12, p. 125]. Later, another foreign researcher, A. Smith’s namesake, Warren Smith, said in 1955 that a good rule of thumb is that the budget should never be balanced – except when the surplus, which controls inflation, changes to a deficit to fight with a decline [1]. The practice of developing financial relations in Ukraine confirms and demands this:

- First, to form the State Budget of Ukraine and the State Program of Social and Economic Development of Ukraine on the basis of a unified concept of social and economic development and in the context of the national financial and economic policy;

- Secondly, a perfect analysis and assessment of the socio-economic state of the regions and the state and the development of real macroeconomic indicators of development for the planned year and the future;

- Thirdly, the implementation of the State Budget and the State Program of Socio-Economic Development should take place in line with unified approaches, a holistic mechanism, effective norms and methods of organizing financial and economic relations [1, 3].

Moving on to the presentation of a retrospective analysis of the transformation of Ukraine’s economy in the period from 1991 to 2022, it is worth emphasizing that in March 1992 the Verkhovna Rada of Ukraine considered the “Basics of the National Economic Policy of Ukraine”, which stated that Ukraine remains in the CIS, but completely leaves the ruble space. The documents adopted by the Verkhovna Rada, resolutions and decisions of the governments were not effective. However, in some branches of light industry, there is an attempt to reorient to the market economy. We are talking about the food sector, which in Ukraine is represented by 25 sub-sectors. The most important of them are: sugar; meat; dairy; butter and cheese factory; oily;

bakery; brewery; alcoholic; winery; liqueur-vodka. Obstacles and challenges that occurred at the stage of formation of the national economy of Ukraine in the early 90's is presented in Figure 1.

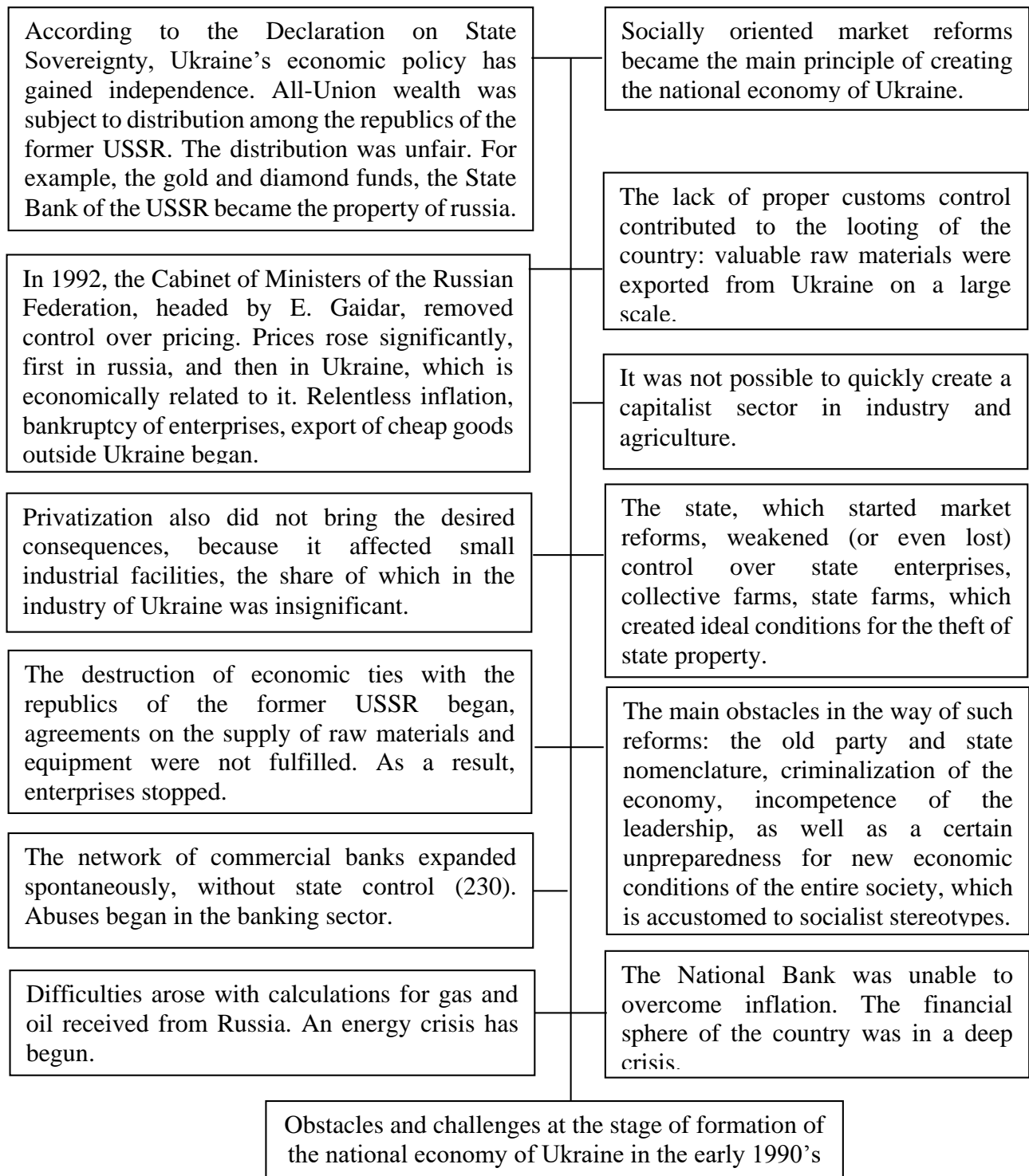


Figure 1. Difficulties in creating a national economy in the period 1991–1994

Source: the author's development.

Ukraine was left in particularly difficult conditions after the liberalization of prices in Russia in January 1992. At that time, the Ukrainian authorities pursued an openly pro-inflationary policy. Prices for consumer goods increased 30 times in 1992.

There was a decline in production, especially in agriculture, transport, mechanical engineering, and the chemical industry. In November 1992, the government of L. Kuchma decided to leave the ruble zone, and the national currency – the ruble – was introduced in Ukraine. But the policy of the new government was directed not at market transformations, but at the administrative management system. After the dismissal of L. Kuchma, the economic policy of the government changed in the direction of strengthening regulation and taxes.

This led to the emergence of a shadow economy. In general, in 1994, the economy of Ukraine was on the verge of collapse: GDP fell by 24 %; production of gross products by 27.8 %; production of agricultural products by 16.5 %; capital investment decreased by 57.0 %; the financial system was practically destroyed; the budget deficit amounted to 18.5 % of GDP; prices compared to 1991 increased 102 times; the salary level of the population was one of the lowest in the world (8 USD per month in 1993) [13]. All this led to a significant decrease in the standard of living of the population and its dissatisfaction with the actions of the authorities. The legislative and executive branches of government decided to prematurely terminate their powers.

As a result of the catastrophic state of the economy, the standard of living of a large part of the population decreased significantly: unemployment increased, non-payment of wages became chronic, its level did not correspond to prices and the subsistence minimum, the health care system, education, and the entire social sphere were poorly financed. According to UN data, from 1994 to 1999, Ukraine moved from 54th to 102nd place in the world according to the human development index, which takes into account the state of health, level of education and real purchasing power of the population. But an objective coverage of the situation in Ukraine's economy proves that there were some achievements during this extremely difficult period.

In the summer of 1994, L. Kuchma became the president. His election platform was based on promises to implement: radical economic reforms; restoration of relations with Russia and other CIS countries; fight against corruption and organized crime. In the first 2–3 years of the implementation of this policy, certain positive changes emerged: the share of state ownership decreased from 96 % to 62 %; in 1996, financial stabilization was achieved, which contributed to a decrease in the rate of price growth from 400 % in 1992 to 40 % in 1996; stabilization of the national currency began; in September 1996, a monetary reform was carried out (the ruble was denominated 100,000 times, the hryvnia appeared) [13]; liberalization of prices, exchange rates, foreign trade mechanisms; the expropriation of lands began; the securities market began to develop; the commodity deficit has been stopped.

General ideas about the achievements of Ukraine in carrying out market reforms in the late 90's of the 20th century, presented in Table 1. As a result of a series of transformations that took place in the 90's, some stabilization of the economy began, but the economic crisis could not be overcome. Moreover, the crisis that began in 1997 in the countries of Southeast Asia and Russia (1998) affected Ukraine as well. In 1997, every second enterprise in Ukraine was unprofitable (in 1995 – every fifth, in 1990 – every eleventh). The barterization of the economy began (at the end of 1997, approximately 40 % of all industrial products were sold by barter, and even 58 % in the production of building materials).

Table 1. Achievements of Ukraine in carrying out market reforms in the late 90's of the 20th century

Changes in the economy	Institutional construction of the national economy	<ul style="list-style-type: none"> ✓ It was possible to shape the complexity of the national economy legislatively and practically. In addition to state ownership, the following forms of ownership began to function: state-associative (part of the contribution to production is made by the state, part by the labor team, which is the owner along with the state); associative (all employees are owners of company shares); open-type associative (shares are distributed among company employees and other citizens); rental; individual (private); joint with the participation of foreign capital. ✓ Farm (individual) farms began to be created in the village. Experience has shown that precisely in such farms labor productivity was higher, product quality was better than in collective farms and state farms.
	Industry and production	<ul style="list-style-type: none"> ✓ Many enterprises that overcame the crisis, reached a new level of production, began to master the world market: "Motor-Sich" (Zaporizhia); Sumy Scientific and Industrial Association named after Frunze; association "Azovstal" (Mariupol); Kyiv Scientific and Industrial Association named after Artem and named after Antonov; Komunar plant (Zaporizhia); Lviv Bus Plant; Pivdentyazmash (Dnipropetrovsk); Donetsk association "Nord"; Mykolaiv Shipbuilding Plant; plant named after Malysheva (Kharkiv) and others.
	Socio-economic issues	<ul style="list-style-type: none"> ✓ National currency – hryvnia was introduced (1996); managed to maintain its relatively firm course. ✓ It was possible to create an abundance of manufactured goods and food products (but at a low level of wages and, as a result, consumption). ✓ The attitude of employees to the performance of their direct duties, the quality of service has improved.
Changes in the education system	Changes in the system of school education	<ul style="list-style-type: none"> ✓ The process of reforming the education system on the principles of democratization of entire educational process began and continues to this day. ✓ Creation of new types of educational institutions: lyceums, gymnasiums, schools with in-depth study of certain disciplines, private schools. ✓ Various textbooks and programs began to be used in the educational process. ✓ In 1993, the range of assessment of students' academic work was narrowed to a 4-point scale – "5", "4", "3", "2". ✓ Since 2000, a 12-point scale (system) for assessing students' knowledge has been in effect in Ukrainian schools.
	Changes in activities of universities	<ul style="list-style-type: none"> ✓ Opening of new universities (the most authoritative among them is the Kyiv-Mohyla Academy). ✓ Opening of commercial universities. ✓ Introduction of paid (contractual) study admission. ✓ Introduction of the system of state licensing of higher education institutions (granting the right to educational activity) and accreditation (determining the level of educational activity of the higher education institution). ✓ Humanization of education (changes in the teaching of social sciences in terms of volume, form, and content with the aim of attracting students to universal human values). ✓ In 2005 Minister of Education S. Nikolayenko in Bergen signed the Bologna Declaration on behalf of Ukraine, according to which the procedure for evaluating the knowledge of university students takes into account the requirements of the Bologna Declaration (rating 100-point knowledge evaluation system, bachelor's and master's diplomas).

Note. The author's development.

At the beginning of 1999, approximately $\frac{1}{3}$ of all production was paid for in money. The crisis had a negative impact on the sphere of investments – there were almost no domestic investments, and foreign investments were limited [14].

The tax policy of the state also did not contribute to the development of the economy, which led to the formation of a “shadow” economy that threatened the economic security of the state. In 1999, it provided income for approximately 75 % of the population of Ukraine, which did not pay taxes. In addition, ineffective management of economic processes by the state has led to the growth of the criminal sector, which, according to some specialists, accounts for at least half of the volume of the “shadow” economy in our country. In general, in 1999, the volume of the “shadow” sector in Ukraine reached at least 60 % of GDP.

In 2013, the last year of V. Yanukovych’s presidency, the Ukrainian economy was absolutely stable: its growth rate was zero. It was roughly the same the year before – in 2012, Ukrainian GDP grew by 0.2 %. In 2014, after the annexation of Crimea by Russia and the beginning of the conflict in Donbas, the Ukrainian economy shrank by 6.6 %. In 2015, the decline was even deeper – by 9.8 %. However, already in 2016, the economy of Ukraine began to recover – the year ended with a growth of 2.4 % [15].

The economic crisis in Ukraine was also contributed by:

- Significant focus of the Ukrainian economy on the export of low-technology products. Thus, in 2007, before the crisis, the share of exports in GDP was almost 45 %;

- Inefficiency of the banking system, which was manifested in its reorientation to consumer lending, stimulation of foreign currency lending, ineffective system of bank refinancing by the National Bank and high refinancing rates. This caused the increase in the price of loans for the real sector of the economy, its reorientation to external borrowing, and the active policy of external borrowing by the banks themselves. All this led to the growth of external debt, which at the end of 2008 was almost 56 % of GDP;

- Weakening of control over the monetary and credit sphere and the foreign exchange market, which led to a significant devaluation of the official hryvnia exchange rate against the US dollar.

In 2018, Ukraine’s GDP growth was already 3.3 %. For comparison: in Russia, the GDP growth was 2.3 %, in Poland – 5.1 %. The dynamics of the population’s incomes changed roughly the same way as the GDP. If in 2014 the real incomes of the population fell by 11.5 %, in 2015 – by 20.4 %, then already in 2016, the incomes of the population increased by 2 %. After the government sharply increased the minimum wage at the end of 2016, in 2017 income growth was already 10.9 %, in 2018 – 9.9 %. According to the State Statistics Service, in 2013, the average income per capita was UAH 26,719.4 – according to the then official exchange rate, \$3,340. In 2018, this indicator increased to UAH 57,908.6. However, in dollar terms, the average income decreased to \$2,092. GDP per capita in 2018 was UAH 84,190 – \$3,041 at the NBU exchange rate as of December 31, 2018. In 2013, this figure was UAH 33,473, or \$4,184 at the NBU exchange rate of UAH 7.99 per dollar. However, it is worth noting that at that time the market rate of the dollar was much higher than the official one. The average salary in December 2018 reached UAH 10,573 month. In December 2013, the average salary of Ukrainians was UAH 3,619 [15].

It is believed that the banking system was the first to be on the brink of bankruptcy and, due to its inability to perform its basic functions, caused an additional drop in output. Among the internal causes of the economic crisis, researchers attribute the lack of an effective corporate culture of business; a clear development strategy aimed at increasing one's own competitiveness; insufficient development of small and medium-sized businesses, which softens the impact of the crisis in developed countries.

The combination of external and internal causes of the crisis led to a decline in the rate of economic development, a decrease in GDP growth, a rise in prices, an increase in unemployment, etc. Economic instability in Ukraine occurs in conditions of acute political struggle, which is a significant obstacle in the implementation of the system of measures to overcome the socio-economic and political crises. The average pension in 2013 was UAH 1,470.7 per month, and the number of pensioners was 13,639.7 thousand. In 2018, the average pension was one thousand more than 5 years before, and amounted to UAH 2,479.2 per month, and the number of pensioners decreased to 11,725,400 people. As of February 1, 2019, the current population of Ukraine was 42.123 million people. As of January 1, 2014, there were 45,426 million people [13, 16].

Together with the zero growth of the GDP according to the results of 2013, the inflation rate was close to zero – 0.5 % per year. The most difficult period after the annexation of Crimea and during active hostilities in the east of Ukraine, price growth was measured in double digits. In 2014, inflation amounted to almost 25 %. in 2015 – more than 43 %. That was the highest rate in 20 years. However, since 2016, the rate of price growth has decreased significantly: 2016 – 12.4 %, 2017 – 13.7 %. Ukraine ended 2018 with an inflation rate of 9.8 %. After the signing of the Association Agreement and Free Trade Zone with the EU, drastic changes took place in Ukraine's foreign trade. At the end of 2013, Russia was the undisputed largest trading partner of Ukraine. Ukraine exported \$14.787 billions of goods there, and imported \$23.098 billion. The total volume of exports to Europe was 16.848 billion dollars, and imports – 28.274 billion dollars. According to the results of 2018, Ukrainian commodity exports to Russia amounted to 3.7 billion dollars, and imports exceeded 8 billion dollars. Its share in Ukrainian exports is about 9 %, and in imports – about 14 %. Meanwhile, the EU's share in foreign trade at the end of 2018 exceeded 40 %. Export of goods to the EU amounted to 20.159 (including services – 23.032 billion dollars), and imports from the EU – 23.183 (including services – 26.285 billion dollars) [15].

As a result of the full-scale invasion of the Russian Federation on the territory of Ukraine in 2022, the economy was forced to be transferred to military lines. On the initiative and direct participation of the Ministry of Finance of Ukraine and the Ministry of Development of Communities, Territories and Infrastructure of Ukraine in order to ensure the optimization of the system of central executive bodies in accordance with the resolutions of the Cabinet of Ministers of Ukraine dated 02.12.2022 No. 1343 and dated 13.01.2023 No. 29, as well as the resolution of other priority issues. The changes, in particular, concern local budgets. An increase in the revenue part is foreseen in the amount of UAH 5.6 billion at the expense of: grants of UAH 80.0 million (non-refundable); international aid from the governments of other countries UAH 365.7 million (on a revolving basis); external borrowings from international institutions UAH 3.8 billion; social insurance fund UAH 1.3 billion.

In 2023, the balance of funds generated at the end of 2022 at the expense of loans from the European Investment Bank can be directed, by decision of the Cabinet of Ministers of Ukraine, to: design, restoration, construction, modernization, arrangement, repair of construction objects (public purpose, social sphere, cultural heritage, housing and communal services, engineering and transport (public highways of state importance), railway, energy infrastructure, crossing points across the state border for road traffic, other objects that have an impact on the life of the population, aviation, maritime infrastructure and river transport) [17].

Conclusions. Summarizing, we note that in general, in the 90's of the 20th century, low-quality economic policy was implemented, which first of all affected the situation of the population – low wages, a constant increase in prices for basic products and consumer goods, and an increase in unemployment. Economic crises are always based on internal disparities, even if they are caused by external factors. The crisis in Ukraine was triggered by external shocks, but it deepened and caused a fall in GDP due to the exacerbation of systemic disparities that had formed in previous years.

The main internal disproportions of development include: the predominance of raw materials sectors of the economy in Ukraine; ineffective tax policy and policy of budget priorities to support the real sector of the economy; stimulating the development of the consumer model; unfavorable conditions for the development of innovation-oriented industries, which leads to a decrease in the competitiveness of the country's economy, etc. In the existing conditions of martial law, financial support in 2022–2024 was provided, in particular, at the expense of additional revenues from the European Union, foreign governments, international organizations, donor institutions, external borrowing; reduction of expenditures to the Ministry of Health of Ukraine under separate budget programs.

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Annotation

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Transformation of Ukrainian economy in the period from 1991 to 2022: a retrospective view

The article reveals the characteristic features of the development of the economy of Ukraine and the economic policy that was carried out from 1991 to 2023. The content of the main directions of economic policy in the conditions of market transformation in the first decade of Ukraine's independence is disclosed; a number of factors that inhibited the implementation of transformational transformations are presented. It was noted that among the difficulties on the way to the creation of the national economy in the period from 1991 to 1994 were the old party and state nomenclature, the criminalization of the economy, the incompetence of the leadership, as well as a certain unpreparedness for the new economic conditions of the entire society, which was accustomed to socialist stereotypes.

The authors revealed the content of Ukraine's economic achievements in market reforms in the late 90's of the 20th century, including the stabilization of the national currency; liberalization of prices, exchange rates, foreign trade mechanisms; suspension of commodity deficit. The main socio-economic indicators from 1990 to 2023 were analyzed and studied; indicators that characterized the crisis of the state sector of agriculture of Ukraine; indicators of consumption of basic food products by residents of Ukraine per person from 1990 to 1993; main socio-economic indicators of Ukraine from 2000 to 2011 and 2019 to 2022; indicators of the gross domestic product of Ukraine from 2012 to 2021. In 2021, Ukraine became the first country in the world to legalize electronic passports and equate them with paper ones. The implementation of the "Big Construction" project made it possible to reconstruct and

build 68 schools, 47 kindergartens, 132 reception departments, and 33 hospitals in 2021. More than 100,000 jobs were created thanks to the implementation of the “Big Construction” project, which allowed for an increase in GDP by 2.6%. In the existing conditions of martial law, financial support in 2022–2023 was provided, in particular, at the expense of additional revenues from the European Union, foreign governments, international organizations, donor institutions, external borrowing; reduction of expenditures to the Ministry of Health of Ukraine under separate budget programs.

Key words: *transformational changes, national economy, GDP, price index, inflation, consumer price index, reforms, socio-economic indicators, development programs.*

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ТРАНСФОРМАЦІЯ СТРАХОВОГО МЕНЕДЖМЕНТУ В УМОВАХ РОЗВИТКУ INSURTECH

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У статті досліджено трансформацію страхового менеджменту в умовах цифрової економіки під впливом розвитку InsurTech. Проаналізовано відмінності між традиційними та інноваційними моделями управління у страхуванні, визначено нові принципи, функції та інструменти цифрового страхового менеджменту. Окреслено основні виклики для класичних страхових компаній у контексті конкуренції з технологічними стартапами, зокрема технологічну заборгованість, кадровий дефіцит, потребу в зміні бізнес-моделі та взаємодії з регулятором. Особливу увагу приділено світовим тенденціям інвестицій в InsurTech і формуванню InsurTech-екосистеми в Україні на прикладах успішних цифрових проєктів. Узагальнено перспективи поєднання традиційних практик і технологічних інновацій у страхуванні.

Ключові слова: *страховий менеджмент, InsurTech, цифрова трансформація, страхування, інновації, дистрибуція, цифрова економіка, глобальні тенденції, управлінські виклики.*

Постановка проблеми. За сучасних трансформаційних процесів в економіці, страхова галузь зазнає кардинальних змін, спричинених стрімким розвитком InsurTech – технологічного напрямку, що інтегрує передові ІТ-рішення з традиційними страховими послугами. Запровадження цифрових інструментів у страхування суттєво змінило не лише операційні процеси, але й логіку стратегічного управління страховим бізнесом. Це вимагає перегляду традиційних підходів до страхового менеджменту, що базуються на