

# DEFINING THE CONCEPT OF THE SHADOW ECONOMY IN THE CONTEXT OF CONTEMPORARY ECONOMIC PROCESSES

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## Zelinska Ye. Yu., Budiakova O. Yu. Defining the Concept of the Shadow Economy in the Context of Contemporary Economic Processes

The aim of the article is to conduct a comprehensive theoretical and methodological analysis of approaches to defining the shadow economy and to develop a contemporary authorial concept that reflects the impact of digital transformation and the emergence of new forms of shadow activities. By systematizing and summarizing scientific research, the article examines the evolution and main categories of interpretations of the shadow economy, highlighting the increasing complexity of this phenomenon under modern conditions. The research results reveal new directions of shadow processes driven by digitalization and global financial flows, demonstrating how new technologies transform traditional methods of concealing and reallocating economic resources. It is substantiated that these changes require an updated theoretical framework and a reconsideration of the State regulatory mechanisms, particularly in the areas of digital finance and cross-border operations. The article proposes an original definition of the shadow economy as a system of deliberately hidden, informal, and partially legal economic processes integrated into the formal sector through financial, labor, and digital networks. This broader interpretation takes into account new digital realities and the complex interplay between legal and illegal economic activities, reflecting the hybrid and networked nature of modern practices of shadowing. The study highlights that digital technologies not only create new channels for shadow economic activity but also open up additional opportunities for improving monitoring and control. Future research prospects include clarifying the structure of digital segments of shadow economic activity, developing methods for their quantitative measurement, and applying big data and algorithmic monitoring to enhance the effectiveness of de-shadowing policies in the digital economy, ensuring greater transparency and institutional resilience.

**Keywords:** shadow economy, digitalization, informal sector, fiscal regulation, institutional approaches, globalization, economy formalization.

**Fig.:** 1. **Tabl.:** 1. **Bibl.:** 28.

**Zelinska Yelyzaveta Yu.** – Postgraduate Student of the Department of Economics, Kyiv National University of Technologies and Design (2 Mala Shiianovska Str., Kyiv, 01011, Ukraine)

**E-mail:** [salii.yy@knuvd.edu.ua](mailto:salii.yy@knuvd.edu.ua)

**ORCID:** <https://orcid.org/0009-0000-3872-3288>

**Budiakova Olena Yu.** – PhD (Economics), Associate Professor, Associate Professor of the Department of Economics, Kyiv National University of Technologies and Design (2 Mala Shiianovska Str., Kyiv, 01011, Ukraine)

**E-mail:** [budyakova.oy@knuvd.edu.ua](mailto:budyakova.oy@knuvd.edu.ua)

**ORCID:** <https://orcid.org/0000-0001-6028-2650>

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### Зелінська Є. Ю., Будякова О. Ю. Визначення концепту тіньової економіки в контексті сучасних економічних процесів

Метою статті є здійснення комплексного теоретико-методологічного аналізу підходів до визначення тіньової економіки та формування сучасного авторського поняття, яке відображає вплив цифрової трансформації та появи нових форм тіньової діяльності. Систематизуючи й узагальнюючи наукові дослідження, у статті розглянуто еволюцію та основні категорії трактувань тіньової економіки, що підкреслює зростаючу складність цього явища в сучасних умовах. Результати дослідження виявляють нові напрями тіньових процесів, зумовлені цифровізацією та глобальними фінансовими потоками, демонструючи, як нові технології трансформують традиційні способи приховування та перерозподілу економічних ресурсів. Обґрунтовано, що ці зміни вимагають оновленої теоретичної основи та переосмислення механізмів державного регулювання, особливо у сфері цифрових фінансів і транскордонних операцій. У статті запропоновано авторське визначення тіньової економіки як системи свідомо прихованих, неформальних і частково легальних економічних процесів, інтегрованих у формальний сектор через фінансові, трудові та цифрові мережі. Таке ширше трактування враховує нові цифрові реалії та складну взаємодію між легальною та нелегальною економічною активністю, відображаючи гібридний і мережевий характер сучасних тіньових практик. У дослідженні наголошено, що цифрові технології не лише створюють нові канали мінізації, а й відкривають додаткові можливості для вдосконалення моніторингу та контролю. Перспективи подальших досліджень включають уточнення структури цифрових сегментів мінізації, розроблення методів їх кількісного вимірювання та застосування big data й алгоритмічного моніторингу для підвищення ефективності політики детінізації в умовах цифрової економіки, забезпечуючи більшу прозорість і стійкість інституцій.

**Ключові слова:** тіньова економіка, цифровізація, неформальний сектор, фіскальне регулювання, інституційні підходи, глобалізація, детінізація економіки.

**Рис.:** 1. **Табл.:** 1. **Бібл.:** 28.

**Зелінська Єлизавета Юріївна** – аспірантка кафедри економіки, Київський національний університет технологій та дизайну (вул. Мала Шияновська, 2, Київ, 01011, Україна)

**E-mail:** [salii.yy@knuvd.edu.ua](mailto:salii.yy@knuvd.edu.ua)

**ORCID:** <https://orcid.org/0009-0000-3872-3288>

**Будякова Олена Юріївна** – кандидат економічних наук, доцент, доцент кафедри економіки, Київський національний університет технологій та дизайну (вул. Мала Шияновська, 2, Київ, 01011, Україна)

**E-mail:** [budyakova.oy@knuvd.edu.ua](mailto:budyakova.oy@knuvd.edu.ua)

**ORCID:** <https://orcid.org/0000-0001-6028-2650>

The shadow economy is one of the most complex and least measurable phenomena within the modern economic system. Its influence is clearly visible in the fiscal, social, and institutional dimensions of national economies, affecting the effectiveness of public governance, tax discipline, the level of trust in authorities, and international competitiveness. Despite decades of scholarly research, a single universal definition of the term “shadow economy” has not yet been established. This is due to the multidimensional nature of the phenomenon, the variety of approaches to its identification, and the differing boundaries regarding the inclusion of informal and criminal activities in its structure. In the current context of economic digitalisation, the digital transformation of financial systems, and the growing use of crypto-assets, the forms of shadow activities are undergoing significant changes. These developments require an updated theoretical and methodological framework for defining the shadow economy. Therefore, there is a need to formulate a contemporary, conceptually coherent definition that takes into account the processes of digitalisation and the increasing integration of legal and illegal flows.

Both foreign and Ukrainian scholars have investigated the problem of forming a conceptual understanding of the shadow economy. Among the key theoretical approaches are the conceptual frameworks proposed by K. Hart [1], F. Schneider, D. H. Enste [2], F. Schneider, A. Buehn, K. Montenegro [3], P. Smith [4], and H. de Soto [5], who viewed the shadow (informal) economy as a component of the market system operating beyond official regulation and state accounting. Among Ukrainian researchers, S. O. Baranov considers the shadow economy as a multifaceted socio-economic phenomenon composed of three elements: the “black” (criminal) sector, the “grey” sector (hidden from taxation), and the “white” sector, or the economy of “white-collar workers”, associated with the redistribution of income through bribes and kickbacks. According to Baranov, such a structure characterises the shadow economy as a negative phenomenon that inflicts substantial harm on the economic system [6]. Yu. V. Biliak views the shadow economy as a factor posing a significant threat to the financial security of the state. It results in the loss of tax revenues, facilitates money laundering and the financing of terrorist activities, undermines trust in the financial system, creates unequal competitive conditions for legal businesses, and weakens state oversight and regulation—ultimately contributing to greater economic instability and heightened risks for national security [7]. A. O. Zolkofer and D. I. Kovalenko interpret the shadow economy as a complex, multi-level system that encompasses informal, hidden, fictitious, parallel, and illegal economic activities, each characterised by a different degree of deviation

from state regulation and legal circulation. The scholars distinguish between segments of shadow activity that may partially return to the legal economy (such as the informal sector) and those that remain entirely outside it, forming the sphere of shadow criminality. This distinction underscores the systemic and multidimensional nature of the shadow economy under contemporary conditions [8]. O. O. Kundytskyi and O. S. Senyshyn examine the shadow economy through a combination of statistical and legal approaches, defining it as a set of business relations among economic agents conducted in violation of current legislation and outside the scope of official state oversight [9].

Most existing studies focus on the classical forms of shadow activity, informal employment, cash-based operations, and fictitious transactions, while more contemporary forms of shadowing (digital, crypto-financial, and transfer-tax related) remain insufficiently explored. Therefore, the need to update the conceptual framework and to formulate a modern definition of the shadow economy, one that is relevant to the conditions of the digital era and aligned with contemporary economic processes, becomes increasingly evident.

The *purpose* of this study is to conduct a categorical and chronological analysis of existing scholarly approaches to defining the shadow economy and to formulate an original definition of this concept that reflects contemporary processes of digitalisation within shadow economic activities.

This article employs the method of analysis and synthesis of scholarly sources to systematise existing approaches to defining the shadow economy; the comparative logical method to identify common and divergent features in the interpretations offered by Ukrainian and international researchers; the method of system analysis to structure the various definitions of the shadow economy; and the inductive method to formulate an original definition based on the synthesis of existing approaches.

### **I. THEORETICAL AND METHODOLOGICAL APPROACHES TO DEFINING THE CONCEPT OF THE “SHADOW ECONOMY”**

In contemporary economic scholarship, the challenge of formulating a clear definition of the shadow economy remains highly relevant. Approaches to its measurement, forecasting, and state regulation depend directly on a precise theoretical understanding of this phenomenon. The absence of a harmonised definition complicates cross-country comparisons of statistical data, reduces the reliability of analytical assessments, and hinders evaluations of economic policy effectiveness. In the context of the modern digital

transformation of the economy, new forms of shadow activity: digital, cryptocurrency-based, and transfer-tax related are emerging. These developments necessitate an update of existing theoretical approaches.

R. Remeikienė, L. Gasparėnienė and F. Schneider define the digital shadow economy as a component of the overall shadow economy that includes illegal income-generating activities conducted in the digital space, such as online trade or the provision of services without official registration and tax payment. According to the authors, the digital shadow economy is characterised by recurrent or one-time transactions that may be carried out through changes of IP addresses or computer networks, and it forms global networks within closed online forums linked to cybercrime, payment card fraud, identity theft, and other illicit online activities. The researchers emphasise that although the digital shadow economy involves illegal financial flows and causes harm to formal economic actors, criminal offences such as drug trafficking or prostitution should not be included in its definition, as these activities fall within the domain of criminal law [10].

R. K. Goel and U. Mazhar view the relationship between shadow activities and cryptocurrencies as complementary, noting that the anonymity and borderless nature of cryptocurrencies create favourable conditions for concealing illegal income and avoiding taxation. According to the authors, in addition to economic motives, a significant factor driving the use of cryptocurrencies in shadow operations is institutional weakness, which provides individuals with additional incentives to hold assets in digital form [11].

R. Melnychenko, K. Pugachevska, and K. Kasianok examine the transfer-tax form of the shadow economy as a set of tax-evasion schemes employed by multinational corporations through the manipulation of transfer prices. According to the authors, such practices include shifting the tax base to affiliated entities in low-tax jurisdictions, understating or overstating the value of export-import transactions, using intra-group transfer prices between related companies, signing fictitious contracts, or engaging with so-called “shadow companies” that evade tax obligations [12].

The examination of the main research directions concerning the definition of the shadow economy provides a foundation for constructing a coherent methodological model of its analysis – one that integrates classical conceptual frameworks with contemporary digital realities and supports the development of a comprehensive scholarly understanding of this phenomenon. The diversity of perspectives on the shadow economy arises from the complexity of its nature and its interconnectedness with four principal analytical approaches: institutional, fiscal, macroeconomic, and socio-economic.

In their study, E. Dabla-Norris, M. Gradstein, and G. Inchauste argue that the quality of the legal system is the key determinant of the scale of the informal sector, while the influence of taxes, regulations, or financial constraints becomes far less significant in countries with well-functioning institutions. This suggests that firms turn to shadow activity not mainly because of high taxation, but due to weak enforcement of property rights, inefficient dispute-resolution mechanisms, legal formalism, and other institutional barriers. The behaviour of different types of firms further illustrates this: small enterprises are driven into the shadow economy by limited access to finance, whereas large firms face legal obstacles, revealing structural problems within the legal environment. Thus, the shadow economy emerges primarily as a consequence of institutional weaknesses that generate high transaction costs and reduce incentives for legal economic activity [13].

From the fiscal perspective, G. Przekota, A. Kowal-Pawul, and A. Szczepańska-Przekota interpret the shadow economy as a consequence of tax-system deficiencies and the behavioural response of economic agents to fiscal pressure. Tax evasion increases where tax administration is weak and transaction monitoring is ineffective. The development of digital tax tools (e-invoicing, electronic reporting, online cash registers, SAF-T) significantly reduces opportunities to conceal income by increasing transaction transparency. Restrictions on cash payments and the growing share of cashless transactions further strengthen tax control and limit shadow activity. Economic crises, by contrast, heighten incentives to evade taxes and temporarily expand the shadow sector. Thus, from a fiscal standpoint, the shadow economy reflects tax incentives, institutional gaps, and insufficient digital oversight [14].

According to the macroeconomic approach, R. Dell'Anno views the shadow economy as the invisible part of total economic activity that distorts key macroeconomic indicators, including GDP, national income, and productivity. The author emphasises that the main limitation of this approach lies in the impossibility of comparing the “true” size of the shadow economy with estimated values, which creates uncertainty and raises doubts about the accuracy of macroeconomic models [15].

From the socio-economic perspective, I. Tiutiunyk, A. Kuznetsova, and J. Spankova view the shadow economy as a phenomenon closely linked to living conditions and the functioning of the social sphere. Shadow activity reduces tax revenues, weakens the financing of social programmes, pensions, healthcare, and education, and thus increases social vulnerability. At the same time, it performs an adaptive function by

generating income and employment for individuals who cannot access the formal labour market, especially during unemployment or economic crises. Research shows that regions with a high share of informal employment tend to have lower household welfare. Therefore, the shadow economy simultaneously worsens social conditions while partially compensating for structural labour-market problems [16].

A synthesis of scholarly approaches makes it possible to distinguish four main conceptual perspectives for understanding the essence of the shadow economy. Fig. 1 presents the key approaches to defining the shadow economy, reflecting different theoretical frameworks and academic traditions in the study of this phenomenon.

Each of these approaches will be examined in greater detail below, outlining their theoretical foundations, key representatives, and central ideas that shape the understanding of the shadow economy within the Western scholarly tradition.

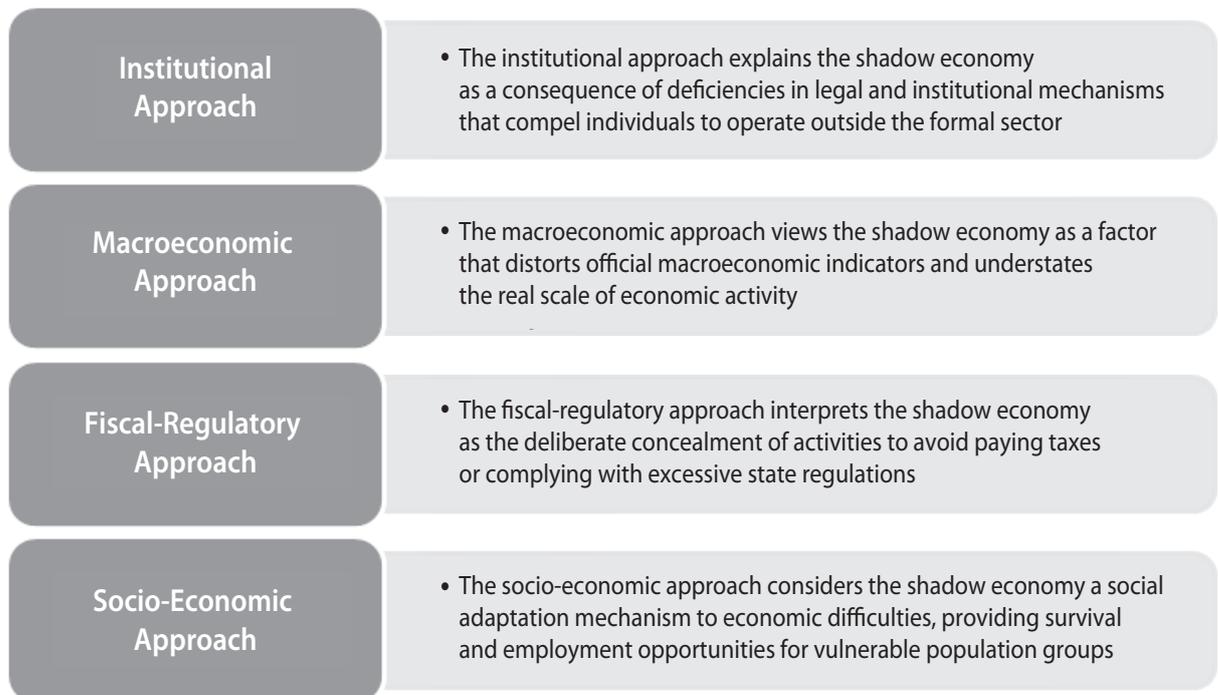
### 1. Institutional Approach

The institutional approach views the shadow economy as a consequence of deficiencies in formal institutions, legal norms, and the regulatory environment. The first scholar to introduce the term informal economy was Keith Hart in his work “Informal Income Opportunities and Urban Employment in Ghana” (1973), where he described informal activities as economic practices operating outside official regulation

but essential for the population’s survival [1]. This idea was further developed by Hernando de Soto, particularly in “The Other Path” (1989) and “The Mystery of Capital” (2003) [5; 17]. De Soto argues that the informal sector is not merely a “shadow,” but rather a response to excessive regulation and the inaccessibility of property rights. In his view, the shadow economy arises from institutional barriers that make legal entrepreneurial activity unattainable. Thus, the core feature of this approach is that economic activity moves outside the legal framework due to institutional weakness.

### 2. Fiscal-Regulatory Approach

This approach interprets the shadow economy as the deliberate concealment of economic activity from the state in order to avoid taxation, excessive regulation, or social obligations. Its origins are often linked to the works of Vito Tanzi, particularly his article “The Underground Economy in the United States: Annual Estimates, 1930–1980” (IME, 1983), in which he explains the growth of the underground economy as a response to rising tax burdens and regulatory pressure [18]. The most prominent contemporary representatives of this school are Friedrich Schneider and Dominik Enste, who in their article “Shadow Economies: Size, Causes, and Consequences” (Journal of Economic Literature, 2000) provided a systematic classification of the drivers of shadow activity: from tax pressure and corruption to ineffective public administration [2]. In later works, F. Schneider, A. Buehn, and C. E. Montenegro define the shadow economy as the part of economic



**Fig. 1. Main theoretical approaches to defining the conceptualisation of the shadow economy**

Source: authors' own development.

activity that is intentionally not reported in order to evade taxes and regulations. The defining feature of this approach is its emphasis on fiscal incentives and the motivation to minimise state intervention [3].

### 3. Macroeconomic Approach

The macroeconomic approach views the shadow economy as a factor that distorts official macroeconomic indicators such as GDP, labour productivity, and investment levels. Its development is associated with the works of Edgar L. Feige, who in his article “A Re-Examination of the Underground Economy in the United States” (IMF Staff Papers, 1986) demonstrated that unrecorded activity leads to substantial underestimation of official statistics [19]. An important contribution to this field is the energy-consumption method proposed by Mária Lackó in “Hidden Economy: An Unknown Quantity? Comparative Analysis of Hidden Economies in Transition Countries” (1996), which estimates the shadow economy by comparing electricity consumption with official GDP figures [20]. This approach focuses on how shadow economic activity distorts the structure of national output and the real magnitude of economic growth.

### 4. Socio-Economic Approach

The socio-economic approach interprets the shadow economy as an adaptive response of society to economic hardship, unemployment, poverty, or excessive bureaucratisation. Pioneers of this perspective, Alejandro Portes and Manuel Castells, in their edited volume “The Informal Economy: Studies in Advanced and Less Developed Countries” (1989), describe the informal sector as a component of the socio-economic system that provides employment and income for individuals excluded from the formal labour market. In their view, the shadow economy is not only a way to avoid taxes but also a mechanism of survival for socially vulnerable groups [21]. This interpretation is also supported by the International Labour Organization (ILO), which in its reports (e.g., “Women and Men in the Informal Economy”, 2018) regards informal economic activity as a necessary social buffer in countries where formal employment opportunities are limited [22]. Thus, within the socio-economic approach, the shadow economy is seen as a social phenomenon with a dual nature: on the one hand, a response to economic challenges; on the other, a source of income stability for the population.

Summarising the reviewed approaches, the shadow economy emerges as a multidimensional phenomenon whose essence is revealed through various scholarly perspectives. The institutional approach emphasises weaknesses in the legal environment; the fiscal-regulatory approach explains shadow activity as a reaction to tax pressure; the macroeconomic approach highlights its distorting effect on national indi-

cators; and the socio-economic approach underscores its adaptive and stabilising role for vulnerable populations. Together, these perspectives form a holistic understanding of the shadow economy as a complex construct that combines legal, economic, and social dimensions. This multi-level analysis provides the foundation for developing a more comprehensive and conceptually consistent definition that reflects the real place of the shadow economy in contemporary economic processes. In essence, all approaches converge on a common point: the shadow economy consists of deliberately concealed economic activities that interact with the formal sector while remaining outside official state accounting.

## II. CHRONOLOGY AND SYNTHESIS OF DEFINITIONS OF THE SHADOW ECONOMY

The challenge of defining the essence of the shadow economy has undergone a long evolution, reflecting shifts in economic thought and changes in the socio-economic environment. The diversity of theoretical perspectives stems from the multidimensional nature of the phenomenon and its transformation under the influence of globalisation, technological innovations, and the digitalisation of financial processes. In this context, systematising the principal interpretations of the term “shadow economy” becomes particularly important for developing a modern, conceptually coherent definition that aligns with the realities of the contemporary economy [23].

### Stage 1. 1970s–1980s: Emergence of the Conceptualisation of the Informal Sector

The first academic understanding of the shadow economy emerged in the 1970s through the work of British sociologist and anthropologist Keith Hart. In his studies from 1971–1973 on the economy of Ghana, Hart introduced the term “informal sector,” describing it as a set of economic activities occurring outside the formal labour market and official regulation. He emphasised that informal activity is not necessarily illegal; rather, it often serves as an adaptive response to excessive regulation, unemployment, or ineffective government policy [1].

**Key conclusion:** at this initial stage, the shadow economy was viewed primarily as a socio-labour phenomenon that ensured population survival amid structural imbalances.

### Stage 2. 1980s–1990s: Formation of the Fiscal-Regulatory Approach

In the 1980s, research on the shadow economy acquired a macroeconomic and fiscal dimension. Significant contributions were made by F. Schneider, A. Buehn, K. Montenegro, and P. Smith, who pioneered the use of econometric models (particularly the MIMIC model) for quantifying shadow activities.

During this period, the shadow economy began to be understood as a part of official production of goods and services that is deliberately concealed from state authorities to avoid taxes, social contributions, or administrative regulations. F. Schneider (1986), for example, argued that hidden economic activity can reach a substantial share of GDP and significantly distort official statistics. P. Smith (1985) proposed a broader interpretation by including not only market but also non-market activities that remain outside national accounts due to omission or intentional concealment [2–4].

**Key conclusion:** in this period, the shadow economy was conceptualised primarily as the hidden segment of economic activity that undermines fiscal discipline and affects state economic policy.

### Stage 3. 1990s–2000s: Institutional and Legal Dimension

The further evolution of the concept of the shadow economy is closely associated with the works of Hernando de Soto, who in “The Other Path” (1989) defined it as economic activity operating outside the formal legal and regulatory framework. He argued that the primary causes of shadow activity are inefficiencies within the legal system, lack of property-rights protection, excessive bureaucracy, and high barriers to entrepreneurial activity. Thus, the shadow economy appears not only as a violation of regulations but also as a consequence of institutional weaknesses that hinder lawful economic participation [5].

**Key conclusion:** the institutional approach shifted the focus from tax evasion to the structural ineffectiveness of state institutions, which fosters the expansion of informal practices.

### Stage 4. 2000s–2010s: National Specificity and Post-Transformation Economies

At this stage, the issue of the shadow economy became central in studies of transition economies, including Ukraine. O. Baranov (2019) defined the shadow economy as a set of unregistered economic activities that should be subject to taxation or state regulation [6]. Yu. Biliak (2024) emphasised its intentional nature, noting that economic actors deliberately conceal the scale of their activities from state authorities [7].

**Key conclusion:** Ukrainian scholars integrated fiscal, institutional, and socio-economic perspectives, highlighting national features of shadow economic processes within a post-transition context.

### Stage 5. 2020s: Digital Transformation and New Forms of Shadow Activity

The current stage of economic development is marked by rapid digitalisation of financial processes, which has led to the emergence of new forms of shadow activity. These include digital and crypto-financial shadowing (use of cryptocurrencies, e-wallets, and P2P payments), transfer-tax shadowing (manipulation of transfer pricing and profit shifting to offshore jurisdictions), as well as hybrid schemes that combine legal and illegal elements within a single business process [11]. Under these conditions, traditional approaches to understanding the shadow economy no longer provide sufficient analytical coverage. This creates the need for an updated definition that reflects the digital environment, global financial linkages, and the systemic nature of modern economic interactions [24].

**Key conclusion:** in the 21st century, the shadow economy takes on a networked and digital structure, extending far beyond classical forms of informal employment and fiscal evasion.

Tab. 1 presents a systematisation of the stages in the development of theoretical views on the shadow economy, demonstrating its evolution from a narrow fiscal phenomenon into a complex system of parallel financial and commodity flows that interact with the official sector and significantly influence a country’s economic dynamics.

Summarising the results of the analysis, it becomes clear that the evolution of theoretical perspectives on the shadow economy reflects not only structural changes in economic processes but also a transformation in the role of the state in economic regulation. What was once understood as socially necessary informal activity has developed into a complex, multidimensional system encompassing fiscal, legal, social, and digital components. Today, the shadow economy serves as an indicator of a state’s institutional

**Table 1**

**Evolution of the stages in the development of theoretical understandings of the shadow economy**

Period	Approach Characteristics	Key Representatives	Core Feature
1970–1980	Socio-labour	K. Hart	Informal employment, population survival
1980–1990	Fiscal-regulatory	F. Schneider, A. Buehn, K. Montenegro, P. Smith	Tax evasion, hidden production
1990–2000	Institutional-legal	H. de Soto	Institutional deficiencies, legal shadowing
2000–2010	Macroeconomic and social	S. Baranov	Macro-distortions, social adaptation

Source: author’s own development.

maturity, the transparency of its financial system, and society's ability to adapt to economic constraints. In contemporary conditions, it increasingly functions not as a peripheral domain but as a parallel subsystem, integrated with the formal sector through digital and transnational financial channels. Its study therefore requires combining classical economic approaches with digital-analytics tools, enabling a rethinking of the "shadow" not simply as illegality, but as an alternative form of economic visibility situated at the intersection of formal and informal spheres.

### **III. THE EVOLUTION OF THE DEFINITION OF THE SHADOW ECONOMY AND THE FORMULATION OF AN UPDATED AUTHORIAL DEFINITION THAT REFLECTS ITS MODERN, EXPANDED MEANING**

The modern stage of global economic development is marked by deep digital transformations that significantly change the structure of economic relations and the nature of shadow activities. As a result, the traditional understanding of the shadow economy: primarily associated in the 1970s–1990s with cash transactions, informal employment, and tax evasion requires substantial revision. As noted by R. Remeikienė, L. Gasparėnienė, F. G. Schneider (2018), the growth of digital technologies has expanded the boundaries of the shadow sector through economic activity in cyberspace, including e-commerce, social networks, and e-business systems, where a considerable share of transactions remains outside official reporting and is not subject to taxation. This has led to the emergence of a so-called digital-financial form of the shadow economy, within which online platforms, P2P transfers, and the crypto-asset market operate [25].

According to the research of R. Bouri, D. Roubaud and others (2021), there is a statistically confirmed relationship between cryptocurrency trading volumes and the scale of the shadow sector in countries with high tax burdens, indicating the emergence of new digital channels of shadow activity [26].

At the same time, hybrid forms of the shadow economy are developing, in which legal and illegal activities are combined within a single business model [27]. The digital environment, however, generates not only new risks but also new tools for counteracting shadow processes. Advances in blockchain analytics, financial monitoring, big-data modelling, and algorithmic control systems strengthen the capacity of state institutions to detect and prevent illegal operations [28].

Thus, the evolution of the concept of the "shadow economy" reflects a shift from traditional forms of informal activity toward complex digital and transnational structures. A modern definition of this phenomenon must take into account the digital nature of

economic processes, new mechanisms of generating and concealing income, and the interaction between formal and informal segments of the global economy.

Based on the conducted theoretical analysis, as well as the systematisation and synthesis of different scholarly approaches, the following authorial definition of the shadow economy is proposed, reflecting contemporary trends in digitalisation, globalisation, and financial integration:

The shadow economy is a set of deliberately concealed, informal, and partly illegal economic activities that operate outside state accounting, regulation, and statistical observation, aimed at obtaining economic benefits through the avoidance of taxes, administrative rules, or control, while remaining integrated with the formal sector through financial, labour, and digital channels.

This definition reflects the systemic, interconnected, and digital nature of the modern shadow economy. It combines classical features (income concealment, avoidance of regulation) with new dimensions (digitalisation, global financial flows, crypto-assets) and can serve as a theoretical and methodological basis for further research on de-shadowing processes and their impact on a country's economic stability.

Thus, the contemporary conceptualisation of the shadow economy extends beyond the traditional understanding of it as a sphere of hidden or illegal financial operations. It has transformed into a complex, multi-level system that includes both traditional and digital forms of economic activity, closely linked to global financial flows. Digitalisation not only expands the scale of shadow processes but also creates new opportunities for control, transparency, and regulation. The proposed definition captures the hybrid nature of today's shadow economy: combining legal and illegal, formal and informal, material and digital elements and provides a methodological foundation for rethinking state de-shadowing policies in the context of the digital economy.

### **CONCLUSIONS AND PROSPECTS FOR FURTHER RESEARCH IN THIS AREA**

The synthesis of the research results allows us to conclude that the shadow economy has evolved from a socio-labour phenomenon into a complex, multi-level system integrated into global financial and digital networks. It is no longer merely a "hidden" part of the economy but functions as a parallel structure of economic relations that responds to institutional, fiscal, and technological challenges. Today, the shadow sector reflects the level of institutional trust, the effectiveness of public governance, and society's ability to adapt to digital transformation. The definition pro-

posed in this study captures the essential transformation of the phenomenon – from simple tax evasion to a complex system of hidden, informal, and partly legal processes that interact with the official sector through financial, labour, and digital channels. This approach makes it possible to view the shadow economy not only as a disruptive factor but also as an indicator of institutional distortions and a potential area for reintegration through de-shadowing policies. The formulated definition is not merely a terminological refinement; it represents a new methodological framework that incorporates digitalisation, globalisation, and the networked interdependence of economic processes. It provides a conceptual basis for rethinking state policy: from punitive control to systemic management of transparency, digital data, and tax incentives. Thus, the modern understanding of the shadow economy opens opportunities not only for measurement but also for its institutional “return from the shadows,” transforming hidden activity into a resource for economic growth and innovative development.

Further research on the conceptualisation of the shadow economy will focus on refining its definition in light of technological transformations that simultaneously stimulate economic development and generate new forms of shadow activity. Increasing attention is expected to be directed toward digital segments of the shadow economy, which will require the use of more advanced analytical methods, including big data tools and artificial intelligence algorithms. ■

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