

LATENT FACTORS DETERMINATION ON TAX AND INVESTMENT CHANNELS OF ILLEGAL FINANCIAL FLOWS IN UKRAINE

The article analyzes the volume of illegal financial flows in Ukraine and in the world. The relevance of the selected study is that the country suffers large-scale losses from such operations as tax evasion, tax avoidance, concealment of the true sources of financial resources, withdrawal of funds in offshore etc. Nowadays experts estimate losses from using tax instruments to hide and withdraw capital abroad at \$ 500-600 billion a year. It is worth noting that volume of illegal financial flows depends on the state of economic development of the country, the level of social security of the population, as well as on the political will of the leadership of the state. In this regard, there is an objective need for a more thorough study of analyzing the illegal financial flows mechanism and identifying key factors influencing the process in order to minimize their volume and create a favorable business climate within the country. The authors of the article identified the influence of significant latent factors on tax and investment channels of illegal financial flows in Ukraine. The methodological base is correlation and regression analysis. 19 indicators were selected to determine the latent factors for influencing tax and investment channels of illegal financial flows in Ukraine. The study was conducted in the following logical sequence: the collection of statistics for the period 2010-2018 (source: World Bank); constructed 2 correlation matrices to assess the strength of latent factors separately on the investment and tax channels of illegal financial flows; the influence of significant latent factors on illegal financial flows were determined; linear multiple regressions were constructed to estimate the force and direction of certain latent factors on the volumes of illegal financial flows using investment and tax instruments. The analysis revealed the need for comprehensive measures that will cover not only the improvement of the financial monitoring system and the fiscal service, but also the reform of the entire economic system. Therefore, effective counteraction to the illegal financial flows is possible only through the structural transformation of such areas as: criminal justice system, financial monitoring services, public administration, etc.

Keywords: illegal financial flows; latent factors; shadow economy; taxes; investments.

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