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## **FINTECH AND INNOVATIVE ENTREPRENEURSHIP AS CATALYSTS FOR ECONOMIC RECOVERY IN POST-CONFLICT UKRAINE**

**Abstract.** This paper explores the role of fintech and innovative entrepreneurship in driving Ukraine's economic recovery amid ongoing conflict and challenging circumstances. The study examines the growth of the fintech sector, the impact of initiatives such as the Fintech Innovation Challenge and Start Path on the fintech ecosystem, and the potential synergies between startups and established financial institutions. The paper also presents policy recommendations and strategies to support fintech development and innovative entrepreneurship in Ukraine, focusing on regulatory harmonisation, fostering collaboration, infrastructure development, promoting innovation, and facilitating internationalization. By leveraging the potential of fintech and innovative entrepreneurship, Ukraine can accelerate its economic growth, attract investments, and create new employment opportunities, contributing to a sustainable economic recovery.

Financial technology (fintech) and innovative entrepreneurship have emerged as powerful drivers for economic growth and revitalisation in the global landscape. Ukraine, a nation with a strong foundation in information technology and tech entrepreneurship, is uniquely positioned to capitalise on these trends to fuel its economic recovery [8]. This study aims to investigate the role of fintech and innovative entrepreneurship in driving economic revitalisation in Ukraine. Specifically, this study will explore the factors that have fueled the growth of the fintech sector despite challenging circumstances and examine potential synergies between startups and established financial institutions. Additionally, this research delves into the implications of initiatives such as the Fintech Innovation Challenge and the Start Path initiative on fostering a thriving fintech ecosystem in Ukraine [4].

The Ukrainian economy has faced significant challenges during the Russian aggression, with devastating consequences on its growth and stability. In 2022, Ukraine's economy shrank by over 30 % due to the destruction of infrastructure and disruption of businesses and daily life [6]. The war in Ukraine has been described as a «massive and historic energy shock» to the markets, which has slowed economic growth and is expected to continue in the coming years [3]. The conflict has also led to a sharp increase in commodity prices, affecting global trade and causing food and fuel crises with harsh implications for the world's poor [11].

The destruction caused by the war has left Ukraine's economy in ruins, with a forecasted record drop in GDP and an urgent need for aid and a plan to rebuild [5]. The long-term economic effects of the conflict are expected to be negative and far-reaching, with particularly severe consequences for Russia and lesser negative impacts on Europe [2]. Additionally, the conflict has already changed the global economy and will have lasting implications on international economics [9].

Amid the conflict, at least 25 % of businesses in Ukraine have been severely affected, and the country desperately needs resources and support to recover from the economic fallout [7]. The Russian aggression has disrupted the Ukrainian economy and led to a humanitarian crisis, with millions displaced and many lives lost.

Despite the challenges posed by the ongoing conflict in the country, the Ukrainian fintech sector has experienced significant growth. Fintech has become one of the favoured sectors for investors in the Central Eastern Europe (CEE), accounting for 20 % of the region's 50 largest funding rounds in Q2 2022 [10]. Ukraine, Poland, the Czech Republic, and Estonia are among the CEE countries attracting the majority of venture funding rounds.

There are 203 companies in the Ukrainian fintech market, with 49 % operating internationally. The largest number of Ukrainian fintech is represented in Europe (15 %) and the United States (7 %) [10]. The Ukrainian Association of Fintech and Innovative Companies (UAFIC) has also become the first non-EU member to join the European Digital Finance Association (EDFA) to strengthen the fintech landscape in Ukraine [10].

The technological infrastructure is a leading activity of Ukrainian fintech startups, accounting for 22 % of fintech companies' activities. Due to the pandemic, the shift to online services has created a demand for product companies that can ensure ease of doing business in the digital environment [10]. Other actively developed fintech subsectors in Ukraine include Payments/Money transfer, Lending, Legaltech, and Insurtech.

In August 2022, the Law of Ukraine «On Payment Services» came into effect, which is revolutionary for the Ukrainian fintech sector and harmonizes Ukrainian legislation with the European Union law. Open Banking is expected to be introduced in Ukraine by August 1, 2025. The National Bank of Ukraine (NBU) is developing a new regulatory framework and standards for Open Banking in consultation with market participants [10].

Ukraine's President Volodymyr Zelenskyy signed the Law «On Virtual Assets» in March 2022 to create proper conditions for establishing a strong cryptocurrency market. After the Law enters into force, crypto exchanges and companies dealing with digital assets will be able to legally operate in Ukraine after obtaining the appropriate permission from the National Securities and Stock Market Commission. Banks can also open accounts for cryptocurrency companies [10].

Despite the challenges of war, the Ukrainian fintech community is working to create better infrastructure and regulation to attract investments. In the first eight months of 2022, Ukraine's IT export increased by 16 % compared to 2021, and IT services accounted for almost half of the country's total volume of export services [1]. Ukrainian tech startups are also dedicating their efforts to elevate the industry to new heights. The Ukrainian Startup Fund (USF) has allocated \$6.5 million for startup funding during the last three years.

Despite wartime conditions, Ukrainian fintech companies have proven their resilience. 90 % of Ukrainian tech startups are still hiring, and the sector continues to attract international interest [1]. The government's support and growth in the IT sector are strong signals for potential investors.

Global finance and tech firms are also supporting Ukraine. The Ukrainian Ministry of Digital Transformation has presented Digital4Freedom, a global initiative that is the primary source of charitable donations for tech companies to support Ukraine. The industry is part of the global UNITED24 effort, allowing anyone to contribute to restoring the country's economy. Companies like Amazon, Binance, and Meta provide support through various means, including cloud hosting services, educational projects, and assistance programs for small- and medium-sized businesses [1].

The role of fintech and innovative entrepreneurship has been pivotal in Ukraine's economic recovery, as these sectors foster innovation, attract investment, and create new employment opportunities. Amidst various challenges, the Ukrainian fintech industry has been growing steadily and has demonstrated resilience in the face of adversity.

Several initiatives have played a significant role in promoting the fintech ecosystem in Ukraine. One such initiative is the Fintech Innovation Challenge, which aims to identify and support innovative fintech startups that can contribute to the country's economic growth. By providing a platform for entrepreneurs to showcase their ideas and receive mentorship, funding, and networking opportunities, this initiative has helped nurture a vibrant fintech community in Ukraine.

Another initiative that has positively impacted the fintech ecosystem is Start Path, a global startup engagement program by Mastercard. This program supports promising fintech startups by providing access to Mastercard's resources, expertise, and network, enabling them to scale their businesses and drive financial inclusion. Through Start Path, several Ukrainian fintech startups have gained valuable support and international exposure, bolstering their growth and contributing to the revitalization of the economy.

Table 1

**POLICY RECOMMENDATIONS AND STRATEGIES TO SUPPORT FINTECH  
AND INNOVATIVE ENTREPRENEURSHIP IN UKRAINE**

| Category                         | Policy/Strategy                                                                                                                                                                                                                   |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Policy interventions             | <ol style="list-style-type: none"> <li>1. Regulatory harmonization</li> <li>2. Tax incentives</li> <li>3. Access to funding</li> <li>4. Education and talent development</li> <li>5. Regulatory sandboxes</li> </ol>              |
| Fostering collaboration          | <ol style="list-style-type: none"> <li>1. Partnership programs</li> <li>2. Co-working spaces and innovation hubs</li> <li>3. Joint innovation initiatives</li> <li>4. Open banking</li> </ol>                                     |
| Conducive environment for growth | <ol style="list-style-type: none"> <li>1. Intellectual property protection</li> <li>2. Cybersecurity</li> <li>3. Ease of doing business</li> <li>4. Infrastructure development</li> <li>5. International collaboration</li> </ol> |

Source: built by author.

The table 1 above summarises policy recommendations and strategies to support fintech and innovative entrepreneurship in Ukraine. These policies and procedures can be categorized into three main areas: policy interventions, fostering collaboration, and creating a conducive environment for growth.

Policy interventions focus on aligning regulations with international standards, providing tax incentives and funding, investing in education and talent development, and creating regulatory sandboxes. These interventions aim to create a favorable regulatory environment and support system to help Ukrainian fintech startups thrive and attract foreign investments.

Fostering collaboration between startups and established financial institutions is crucial for driving innovation and knowledge exchange. Strategies such as partnership programs, co-working spaces, joint innovation initiatives, and open banking can facilitate collaboration and help fintech startups and traditional financial institutions benefit from each other's expertise and resources.

Creating a conducive environment for fintech innovation and growth involves ensuring intellectual property protection, implementing robust cybersecurity policies, streamlining bureaucratic processes, investing in digital infrastructure, and promoting international collaboration. These measures can help create a supportive ecosystem that enables fintech startups to develop and deploy innovative financial technologies, ultimately contributing to Ukraine's economic recovery.

Thus, fintech and innovative entrepreneurship have the potential to play a significant role in Ukraine's economic recovery, especially in the face of ongoing conflict and challenging circumstances. By fostering a supportive environment for fintech development and innovative entrepreneurship, Ukraine can accelerate its economic growth, attract investments, and create new employment opportunities.

Initiatives like the Fintech Innovation Challenge and Start Path have already contributed to building a thriving fintech ecosystem in Ukraine. The continued support and collaboration from global tech firms and finance companies can further enhance the growth and resilience of the Ukrainian fintech sector.

To fully capitalize on the potential of fintech and innovative entrepreneurship, the government and relevant stakeholders must implement policies and strategies that promote regulatory harmonisation, foster collaboration, develop infrastructure, encourage innovation, and facilitate internationalisation. By taking these steps, Ukraine can effectively leverage fintech and innovative entrepreneurship to drive its economic recovery and build a brighter future.

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## ІНСТИТУЦІЙНІ ЗАСАДИ ПІДПРИЄМНИЦЬКОЇ ДІЯЛЬНОСТІ У ПЕРІОД ВІЙНИ

### INSTITUTIONAL PRINCIPLES OF ENTREPRENEURIAL ACTIVITY DURING THE WAR

**Анотація.** Досліджено теоретико-методологічні засади впливу інституційного середовища на підприємницьку діяльність під час війни. Наведено окремі результати опитування підприємців щодо особливості діяльності в даний період і подано загальні висновки.

**Abstract.** The theoretical and methodological foundations of the influence of the institutional environment on entrepreneurial activity during the war were studied. The results of a survey of entrepreneurs regarding the specifics of activity in this period are given and general conclusions are presented.