

THE IMPACT OF MARTIAL LAW ON FINANCIAL STABILITY AND BANKRUPTCY RISKS OF ENTERPRISES IN UKRAINE

Svystun Lyudmyla*, PhD in Economics, Associate Professor,
Head of the Finance, Banking and Taxation Department
National University “Yuri Kondratyuk Poltava Polytechnic”

*ORCID 0000-0002-6472-9381

Дата надходження статті: 18.03.2026

Дата прийняття статті: 08.04.2026

Дата публікації статті: 29.05.2026

Introduction. Russia's war against Ukraine has exerted a profoundly negative impact on both the overall state of the national economy and the operational capacity and development prospects of Ukrainian businesses. Under conditions of armed conflict, Ukrainian enterprises have found themselves operating within exceptionally complex and unstable economic environments, characterised by heightened uncertainty, disrupted supply chains, diminished consumer purchasing power, and a general decline in business activity. Such circumstances have necessitated fundamental adaptations in management practices, production organisation, and strategic planning approaches.

Financial stability constitutes the foundation of effective business functioning; however, under martial law in Ukraine, this critical component has proven extraordinarily vulnerable. Changes in currency regulation, restrictions on financial transactions, reduced consumer solvency, constrained access to credit resources, payment delays, and increased cost of capital collectively form a complex array of financial risks that significantly influence the stability of business processes.

Analysis of recent research and publications. The issue of enterprise financial stability under martial law has become a subject of active scholarly inquiry among Ukrainian researchers. Authors [1, 2] substantiate the transformation of the financial security concept: from a static state of protection towards a dynamic, adaptive system capable of functioning within turbulent environments. Sytnyk and Polovko systematise threats and propose an integral approach to assessing financial security, incorporating liquidity, resilience, risk management, and the quality of financial governance.

Certain researchers emphasise qualitative risk analysis, identifying threats specific to wartime conditions: property loss risks, regulatory changes, workforce shortages due to mobilisation, energy instability, and reputational challenges [3, 4]. Vidomenko and Udoenko underscore the cumulative impact on businesses arising from disrupted logistics and energy instability, examining business risk management as an anti-crisis, flexible, and innovative activity. Scholars stress that, under wartime conditions, effective risk management becomes a factor of business survival rather than merely a tool for enhancing efficiency.

Other researchers examine key factors in enterprise financial management, including the need to apply methods for identifying critical risks and development opportunities, particularly within the context of anti-crisis management and financial rehabilitation [5]. Nevertheless, the question of how economic instability factors influence sectoral and regional bankruptcy dynamics warrants more detailed attention.

The objective of this study is to conduct a comprehensive analysis of the impact of martial law on the financial stability of Ukrainian enterprises, to identify key determinants of their insolvency, to examine sectoral and regional bankruptcy dynamics, and to determine effective instruments of anti-crisis management and business model adaptation to conditions of prolonged instability.



© Svystun Lyudmyla, 2026

Стаття поширюється на умовах ліцензії відкритого доступу (CC BY 4.0)

The main material of the study. Beginning in 2022, Ukraine's economy underwent significant transformations as a consequence of full-scale military aggression, resulting in sharp production declines, heightened uncertainty, and deteriorating business conditions. In that year, real gross domestic product contracted by nearly one-third due to the destruction of production and transport infrastructure, disruptions to logistical chains, declining investment, and reduced domestic demand.

According to statistical data, particularly critical changes were observable in 2022, when the number of enterprises declined sharply from 1.96 million to 1.73 million units, representing a contraction rate of -11.73% [6]. This abrupt reduction was attributable to the consequences of full-scale war against Ukraine, including the destruction of production and logistical infrastructure and the closure of a substantial proportion of economic entities. Noticeable contractions in enterprise numbers occurred across most sectors; however, the most severe negative impacts affected trade, transport, manufacturing, and certain service categories. Analysis of enterprise structure by size indicates that medium-sized enterprises demonstrated the most pronounced contraction during the wartime period – from 0.91% in 2021 to 0.75% in 2023.

Inflationary processes emerged as one of the key macroeconomic factors that significantly destabilised the financial position of enterprises in Ukraine. In 2022, the inflation rate exceeded 25%. This was driven by sharp increases in production costs, rising energy prices, supply chain disruptions, and heightened devaluation expectations. In subsequent years, inflation rates gradually moderated; however, their adverse consequences remained evident through elevated costs for resources and labour, which directly affected product cost structures, profitability levels, and enterprise solvency [7].

The combined effect of these factors markedly exacerbated corporate financial instability. This manifested in heightened liquidity risks, constrained access to credit resources, declining investment activity, and an increased probability of asset losses during 2022–2025. Consequently, this led to a rise in instances of financial distress and bankruptcy, particularly among enterprises with insufficient financial resilience buffers [8].

In 2022, the proportion of loss-making economic entities increased sharply, attributable to the destruction of production capacities, logistical disruptions, resource shortages, rising costs, and loss of sales markets.

During 2023–2024, a trend towards reduction and subsequent stabilisation in the proportion of loss-making enterprises has been observed. In this period, the number of enterprises in the economy increased to 1.91 million units, representing a growth rate of 10.40%. This expansion in activity occurred primarily within service-oriented sectors. This indicates gradual business adaptation to martial law conditions, implementation of anti-crisis managerial measures, and partial restoration of economic activity. However, despite positive developments, the level of financial risks for enterprises remains elevated, underscoring the necessity for strengthening financial resilience and implementing systematic risk management.

Many companies located in zones of active hostilities faced the challenge of relocating to safer regions within Ukraine. The primary objective for entrepreneurs was to preserve assets, equipment, and ensure the safety of their workforce. Since the commencement of the full-scale invasion, nearly 19,000 cases of business relocation between Ukrainian regions have been recorded. The largest proportion among these comprises companies operating in wholesale trade – 39.4% [9].

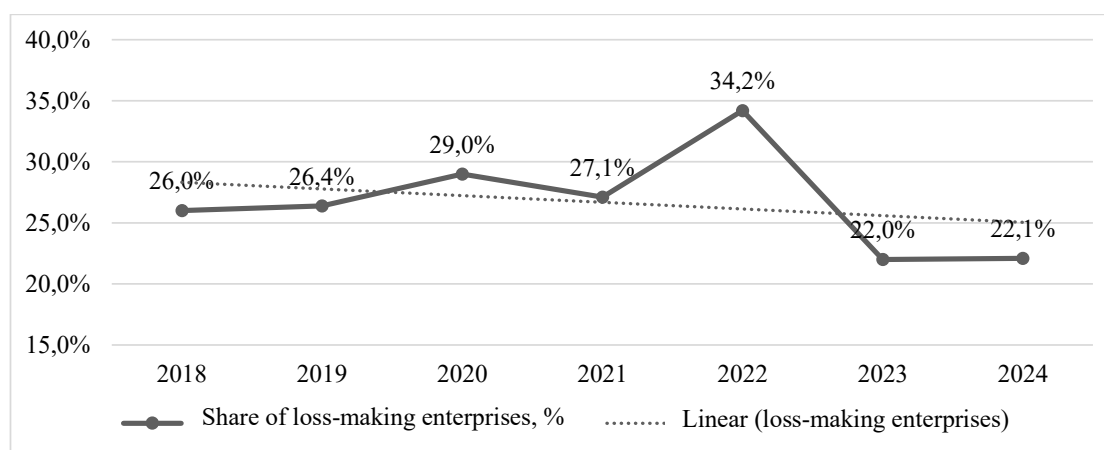


Figure 1. Proportion of loss-making enterprises in Ukraine, %

Source: compiled by the author based on [8]

Overall, the dynamics of business relocation clearly demonstrate the impact of military risks and geographical factors on economic activity within the country, forming new centres of business concentration. The most significant outflow of businesses was recorded from Kyiv Oblast (6,291), which may be explained both by the high concentration of enterprises in this region and its proximity to combat zones. Additional contributing factors included attacks employing combat drones and airstrikes, which occurred during certain phases of the conflict. The Kyiv region also exhibited significant risks for conducting entrepreneurial activity during the initial stages of military operations.

Given the challenges associated with the military-political situation in Ukraine, numerous Ukrainian enterprises have found themselves under threat of potential bankruptcy. According to recent estimates, half of Ukrainian companies are currently experiencing financial losses. Analysis of Ukraine's default risk conducted by Fitch Ratings indicates a probability of default within the range of 30% to 50% [10]. Approximately half of enterprises are encountering liquidity problems. These indicators reflect considerable pressure on the national economy and a high likelihood of increasing bankruptcy rates and business closures.

This is corroborated by statistical data concerning the consideration of bankruptcy cases and the dynamics of corresponding applications, as reflected in Table 1. During 2023–2024, the total number of bankruptcy cases remained below pre-war levels, a consequence of the impact of martial law on judicial system functionality. Simultaneously, 2024 witnessed an increase in the number of rulings declaring bankruptcy, which may indicate gradual restoration of judicial processes and deterioration in the financial condition of enterprises.

Table 1

Statistical data on the consideration of bankruptcy cases and dynamics of applications filed in Ukraine

| Bankruptcy cases | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|--------|--------|--------|---------|---------|-------|
| Total considered, units | 14 373 | 13 519 | 16 579 | 9 728 | 8 500 | 9 200 |
| of which: rulings declaring bankruptcy | 1 264 | 815 | 971 | 767 | 575 | 926 |
| Proportion of all other considered cases, % | 19,1 | 17 | 19,3 | 16,4 | 6,8 | 10,1 |
| Rate of change in considered bankruptcy cases (+/-), % | – | -5,90% | 22,60% | -41,30% | -12,60% | 8,20% |

Source: [11]

It should be noted that official statistical reports for 2023–2024 lack comprehensive aggregated data concerning the total amount of creditors' claims submitted to and recognised by courts. However, analysis of available judicial and analytical materials permits the assertion that the number of proceedings in bankruptcy cases, particularly concerning individuals, is increasing. This trend serves as additional confirmation of deepening financial instability within the economy and declining corporate solvency.

The highest incidence of bankruptcies is observed in wholesale and retail trade, attributable to rapid capital turnover and sensitivity to demand reductions and logistical disruptions. Manufacturing has been adversely affected by rising energy costs and resource shortages. The agricultural sector carries high debt levels; however, official bankruptcies remain limited owing to state support, creating risks of concealed insolvency. The sectoral structure of bankruptcies is uneven (Table 2) and indicates the accumulation of financial risks within sectors most vulnerable to external economic changes.

Table 2

Sectoral structure of bankruptcies in Ukraine (2023–2024)

| Economic sector | Proportion in bankruptcy structure, % | Key financial risk factor |
|-------------------------|---------------------------------------|--|
| Trade | 34,5% | Sharp decline in current liquidity |
| Manufacturing | 21,2% | Negative profitability |
| Agriculture | 14,8% | Deficit in net cash flow |
| Construction | 9,3% | High financial leverage (indebtedness) |
| Transport and logistics | 8,1% | Rising operational costs |
| Other activities | 12,1% | Combination of macroeconomic factors |

Source: compiled by the author based on [12]

Under martial law conditions, the danger of insolvency and declining financial stability among enterprises has intensified. Precursors to shortages of financial resources among economic entities have included, inter alia, changes in raw material costs, logistical problems, reduced demand for products, and declining consumer purchasing power [13]. Furthermore, the resilience of domestic businesses has been adversely affected by reduced investment opportunities and a general deterioration in Ukraine's investment attractiveness.

It is worthwhile to summarise the principal factors that increase the bankruptcy risk for Ukrainian companies (Table 3).

Table 3

Factors influencing the impact of war on enterprise financial stability

| Influencing factor | Characteristics |
|-------------------------------|--|
| Market losses | Due to port blockades and destruction of logistical routes, export volumes contracted sharply in 2022, with partial recovery occurring only in 2024 (\$41.6 billion compared to \$36 billion in 2023). Simultaneously, import coverage by exports remained at only 59%, which constrains enterprise financial stability and exacerbates foreign trade deficit risks. |
| Supply chain disruptions | Imports of technological equipment and raw materials, as well as shipments of finished products, have been complicated. This has precipitated increased transport costs for enterprises. |
| Declining demand | Owing to inflation, real household incomes have contracted, and GDP recovery rates remain sluggish. This constrains consumer demand and reduces sales volumes for enterprises in retail and industrial sectors. |
| Loss of production capacities | As a consequence of hostilities, enterprises have sustained significant losses through damage to or destruction of assets. Civil and industrial infrastructure has suffered severe damage. Losses in the transport and energy sectors remain particularly critical. |
| Working capital deficits | Lending remains largely inaccessible due to low solvency and creditworthiness of enterprises. International financial support, notably from the IMF, has become critically important for macroeconomic stability and enhancing business investment activity. |
| Rising costs | Inflation, national currency devaluation, increased costs of energy carriers, raw materials, and logistical services have substantially elevated production costs and prices for finished products. |
| Currency devaluation | Currency risk primarily threatens companies engaged in foreign economic activity. The hryvnia continues to experience pressure from the foreign trade deficit and substantial demand for foreign currency for imports. Persistent inflationary processes continue. To mitigate this risk, the National Bank of Ukraine continues to implement its Strategy for Easing Currency Restrictions and transitioning towards greater exchange rate flexibility. |
| Workforce outflow | Over 5.6 million Ukrainians have left the country, and approximately 4.6 million have become internally displaced persons. In 2024, the adult employment rate stood at approximately 40%, while unemployment reached 14.2%. Enterprises face shortages of qualified personnel due to male conscription into the Armed Forces of Ukraine. |
| Energy supply disruptions | Energy infrastructure is subject to continual damage, resulting in regular electricity outages and increased energy costs for enterprises. This substantially reduces product competitiveness. |

Source: compiled by the author

Despite these challenges, in response to emerging exigencies, enterprises have commenced active adaptation of their business models, seeking pathways to preserve competitiveness and financial resilience. In particular, many companies have reoriented towards alternative, safer, or more stable sales markets, expanded cooperation with foreign partners, and developed new product distribution channels, notably through digital platforms and e-commerce. Furthermore, a significant number of enterprises have been compelled to repurpose their production activities.

During 2023–2024, the economic situation partially stabilised owing to business adaptation to the wartime environment, monetary policy easing, and substantial international financial support. According to the National Bank of Ukraine, this period witnessed a certain recovery in economic activity. However, elevated risk levels for the business sector persisted, attributable to security concerns, inflationary pressures, and limited access to financial resources. Consequently, it is particularly important for enterprises to promptly identify indicators of financial instability and analyse potential operational risks.

Under wartime conditions, enterprise financial models must incorporate several essential components (Fig. 2). Primarily, this entails the formation of adequate cash reserves, which ensure high liquidity levels, reduce dependence on deferred payments, and enable resource procurement on more favourable terms.

Effective managerial policy, capable of responding promptly to unforeseen circumstances, coordinating actions, and making substantiated decisions in crisis situations, is also of considerable importance. No less significant is the digital transformation of business, the efficacy of which was demonstrated both during the COVID-19 pandemic and at the outset of the full-scale invasion. The utilisation of remote work, e-commerce, and cloud-based services ensures business process continuity, expansion of sales channels, and enhanced operational productivity.

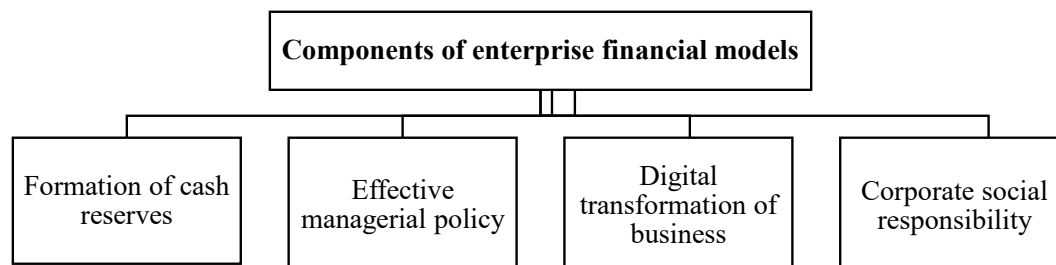


Figure 2. Components of enterprise financial models

Source: compiled by the author

Furthermore, the role of corporate social responsibility is increasing, which not only reflects ethical principles of operation but also contributes to building trust among consumers, employees, and partners. Implementation of the aforementioned measures requires not only prompt managerial decisions but also continuous monitoring of the enterprise's financial condition.

State assistance and international support play a substantial role in sustaining entrepreneurial activity. The introduction of tax concessions, subsidies, deferral of tax payments, and provision of direct financial assistance serve to alleviate financial pressure on businesses, particularly for enterprises that have sustained significant losses. In 2022, a range of temporary tax incentives was introduced to support business entities and reduce the financial burden on enterprises. Equally important is the provision of state guarantees concerning asset preservation, compensation for property losses, and insurance of war-related risks. Such measures reduce the level of economic uncertainty and enhance business confidence in state institutions. International assistance, in turn, contributes to enterprise stabilisation and recovery, economic support, preservation of production potential, and ensuring access to new markets and resources.

Conclusions. Thus, enterprise financial instability in Ukraine exhibits a systemic character under martial law conditions. Full-scale war has precipitated an increase in financial and operational risks, manifested in deteriorating enterprise performance indicators, particularly in 2022. Simultaneously, during 2023–2024, gradual business adaptation to crisis conditions has been observed. The principal determinants of financial instability have been identified as reductions in production volumes, rising costs, supply chain disruptions, and limited access to financial resources, with the highest concentration of risks in trade, manufacturing, and the agricultural sector.

Under these circumstances, the significance of comprehensive anti-crisis approaches is heightened; such approaches combine financial stabilisation, implementation of innovative and adaptive managerial decisions, digital transformation, and active state and international support. This approach enables not only the resolution of current financial difficulties but also ensures long-term resilience, competitiveness, and viability of businesses, which constitutes a fundamental prerequisite for economic stabilisation under conditions of uncertainty.

REFERENCES:

1. Sytnyk, N., & Polovko, D. (2024). Financial security of an enterprise in wartime: Goals, priorities, and ways of ensuring. *Halychyna Economic Bulletin*, no. (6), pp. 111–122. DOI: https://doi.org/10.33108/galicianvisnyk_tntu2024.06.111
2. Koval, N. I., & Korniyuk, K. V. (2024). Ensuring financial security of an enterprise in wartime: Problems and specifics. *Agrosvit*, no. (4), pp. 152–158. DOI: <https://doi.org/10.32702/2306-6792.2024.4.152>
3. Popova, H., Polozhentseva, K., & Akopov, S. (2024). Business management and financial diagnostics in wartime. *Scientific Perspectives*, no. 2 (44), pp. 862–877. DOI: [https://doi.org/10.52058/2708-7530-2024-2\(44\)-862-877](https://doi.org/10.52058/2708-7530-2024-2(44)-862-877)
4. Vidomenko, O., & Udovenko, A. (2025). Economic risks of food industry enterprises in wartime: Identification, systematisation, and mitigation tools. *Economics and Society*, no. (82). DOI: <https://doi.org/10.32782/2524-0072/2025-82-41>

5. Chumachenko, O., Pletenetska, S., & Antonets, T. (2024). Managing the financial condition of enterprises in the strategic management system. *Scientific Notes of KROK University*, no. 1 (73), pp. 54–65. DOI: <https://doi.org/10.31732/2663-2209-2024-73-54-65>
6. State Statistics Service of Ukraine. (2025). *Macroeconomic and budgetary review: Official analytical materials on the state of public finances and the economy of Ukraine under martial law*. Available at: <http://www.ukrstat.gov.ua>
7. National Bank of Ukraine. (2025, January). *Inflation report*. Available at: <https://bank.gov.ua/ua/news/all/inflyatsiyniy-zvit-sichen-2025-roku>
8. Judicial Authority of Ukraine. (n.d.). *Court statistics*. Available at: <https://court.gov.ua/>
9. OpendataBot. (2023). *Over 600 companies relocated multiple times but did not return to their regions since the beginning of the full-scale invasion*. Available at: <https://opendatobot.ua/analytics/business-relocation-2023>
10. National Institute for Strategic Studies. (n.d.). *Official website*. Available at: <https://niss.gov.ua/>
11. Ministry of Justice of Ukraine. (n.d.). *Analytical note on the status of bankruptcy proceedings*. Available at: <https://minjust.gov.ua/>
12. OpendataBot. (2024). *Insolvency case register: Sectoral analysis 2024*. Available at: <https://opendatobot.ua/>
13. Losheniuk, O. V., & Murovana, T. O. (2023). Business risks under martial law and ways to overcome them. *Effective Economy*, no. (2). DOI: <https://doi.org/10.32702/2307-2105.2023.2.44>

UDC 336.64:658.14(477)

JEL D81, G32, G33, H56

Lyudmyla Svystun, PhD in Economics, Associate Professor, Head of the Finance, Banking and Taxation Department, National University “Yuri Kondratyuk Poltava Polytechnic”. **The impact of martial law on financial stability and bankruptcy risks of enterprises in Ukraine.**

This article examines the factors contributing to financial destabilisation and the distinctive features of Ukrainian business operations under conditions of full-scale military aggression. The author analyses macroeconomic challenges that have precipitated a sharp deterioration in business conditions, including the destruction of production and transport infrastructure, blockade of logistical routes, rapid inflation, and declining household purchasing power. Particular attention is devoted to emerging risk categories, notably energy-related and workforce-related vulnerabilities. Special emphasis is placed on sector-specific financial risks. It is demonstrated that the trade, manufacturing, and construction sectors have experienced the most severe pressure, manifested in sharp declines in liquidity and elevated financial leverage. The paper explores business adaptation mechanisms to crisis conditions, including relocation processes, digital transformation of business models, and reorientation towards European export markets. A distinct focus is given to bankruptcy case dynamics. Despite an overall reduction in judicial proceedings during 2022–2023 due to constraints on court system functionality, 2024 has witnessed a rising trend in court rulings declaring entities bankrupt. This pattern indicates the accumulation of financial difficulties and the depletion of internal resilience reserves. The highest proportion of bankruptcies is concentrated in trade, manufacturing, and agriculture. It is substantiated that the adaptation of business models, initiated in 2023–2024, has partially stabilised the number of economic entities; however, risk levels remain elevated owing to inflationary pressures and limited access to credit facilities. The author argues for the necessity of systematic anti-crisis management grounded in the formation of liquidity reserves, mobilisation of international financial assistance, and implementation of innovative financial stabilisation models. A systemic approach to restoring solvency – combining innovative managerial solutions with active fiscal policy – constitutes a fundamental prerequisite for the long-term stability and competitiveness of the national economy in the post-war period. This article holds practical significance for developing business survival strategies amid prolonged military-political uncertainty.

Key words: financial stability, bankruptcy, operational risks, anti-crisis management, liquidity.

УДК 336.64:658.14(477)

JEL D81, G32, G33, H56

Свистун Людмила Анатоліївна, кандидат економічних наук., доцент, завідувач кафедри фінансів, банківського бізнесу та оподаткування, Національний університет «Полтавська політехніка імені Юрія Кондратюка». **Вплив воєнного стану на фінансову стабільність та ризики банкрутства підприємств в Україні.**

У статті проведено дослідження чинників фінансової дестабілізації та особливостей функціонування українського бізнесу в умовах повномасштабної військової агресії. Автором проаналізовано макроекономічні виклики, які спричинили різке погіршення умов господарювання: руйнування виробничої та транспортної інфраструктури, блокаду логістичних шляхів, стрімку інфляцію та падіння купівельної спроможності населення. Особливу увагу приділено новим типам ризиків: енергетичним та кадровим. Особливу увагу приділено

галузевій специфіці фінансових ризиків. Доведено, що сектор торгівлі, переробної промисловості та будівництва зазнав найбільшого тиску, що проявляється у різкому падінні ліквідності та високому фінансовому левериджі. У роботі розглянуто механізми адаптації бізнесу до кризових умов, зокрема процеси релокації, цифрову трансформацію бізнес-моделей та переорієнтацію на європейські ринки збуту. Окремий акцент зроблено на динаміці справ про банкрутство. Зафіксовано, що попри загальне зниження кількості судових проваджень у 2022–2023 роках через обмеження роботи судової системи, у 2024 році спостерігається тенденція до зростання кількості рішень про визнання суб'єктів банкрутами, що свідчить про акумуляцію фінансових проблем та вичерпання внутрішніх резервів стійкості. Найбільша частка банкрутств припадає на торгівлю, переробну промисловість та сільське господарство. Обґрунтовано, що адаптація бізнес-моделей, яка розпочалася у 2023–2024 роках, дозволила частково стабілізувати кількість суб'єктів господарювання, проте рівень ризиків залишається високим через інфляційний тиск та обмежений доступ до кредитування. Автор обґрунтовує необхідність системного антикризового управління, яке базується на формуванні резервів ліквідності, залученні міжнародної фінансової допомоги та впровадженні інноваційних моделей фінансової стабілізації. Системний підхід до відновлення платоспроможності, що поєднує інноваційні управлінські рішення та активну фіскальну політику, є основною передумовою довгострокової стійкості та конкурентоспроможності національної економіки у повоєнний період. Стаття має практичне значення для розробки стратегій виживання бізнесу в умовах тривалої воєнно-політичної невизначеності.

Ключові слова: фінансова стабільність, банкрутство, ризики діяльності, антикризове управління, ліквідність.