

S. O. Nikola

Ph.D. in Economics, Assoc. Prof.

SHADOW SECTOR OF THE ECONOMY IN UKRAINE AND WAYS TO SOLVE THIS PHENOMENON

The research topic is relevant, because today the problem of the shadow economy is present in almost all countries. The functioning of the shadow sector of the economy in Ukraine leads to a significant reduction in the financial resources of the state, increasing the tax burden, reducing the investment attractiveness of the country, the degradation of the budget system. The fight against shadowing in

Ukraine is a topical issue today, because, as economic indicators show, the phenomenon of the shadow sector of the economy tends to increase. Therefore, the question of finding and implementing an effective mechanism for de-shadowing the economy to ensure sustainable economic development of the country, improve the level and quality of life and strengthen national security is urgent.

At the present stage, there are many interpretations of the concept of «shadow economy», according to the Official Website of the Ministry of Economic Development and Trade «shadow economy» is an unregistered economic activity of an economic entity, characterized by minimizing costs for production, works and provision services, tax evasion, fees, statistical questionnaires and submission of statistical reports, which results in violation of statutory norms (minimum wage, working hours, working conditions and safety, etc.) [1].

There are shadow economy «consequential» and «passive», depending on who benefits from it. In a «consequential» shadow economy, both parties to the transaction benefit from it, for example, when paying in cash, the customer does not demand an invoice and receives a discount, and the supplier saves on tax costs without registering the transaction. In a «passive» shadow economy, only the seller benefits from it when he sells a good or service without a check and evades taxes [2].

In Ukraine, the shadow economy is most manifested in the following areas: financial, banking, investment, insurance, trade and intermediary, and so on. Through them, a significant part of the funds is withdrawn from the state distribution system, which hinders the process of optimizing economic relations. The existence of the shadow sector is closely linked to corruption, and more precisely, the shadow economy is actually the basis of corruption [3, p. 65].

Given the imperfections of the law, corruption, the unstable economic and political system associated with the situation in Russia, exchange rate fluctuations, businesses are looking for ways to evade legal activity, developing new or using already established illegal shadow schemes. Examples of this are: wages in envelopes, for tax evasion; income minimization; conducting «black accounting»; money laundering; underground production; fraud; illegal markets.

The lack of sufficient guarantees for the protection of business activities, in particular property rights, is currently one of the reasons for the outflow of capital from Ukraine. Inefficient tax policy leads to a decrease in state budget revenues due to the growth of the shadow sector. Unstable legislation deters entrepreneurs from legalizing their activities and forces them to go into the shadows. The severity of the tax burden is determined by one of the most important factors stimulating the growth of the shadow economy and the intensification of criminal economic activity. After all, the state must provide stable favorable conditions for the development of the business sector in the legal economy [4].

According to the results of the analysis carried out by the Institute for Strategic Studies under the President of Ukraine, the consequences of the shadowing of the economy, in particular its financial sphere, are: ineffectiveness of monetary policy levers due to a significant amount of hryvnia and currency; reducing the effectiveness of fiscal instruments; loss of part of the investment potential of society etc.

Thus, we can identify a number of factors that cause an increase in the shadow economy: the lack of a single regulatory body; economic instability; impoverishment of a large part of the population and a significant gap between rich and poor; excessive tax burden, uneven tax pressure, which leads to tax evasion; inconsistency of tax, financial, investment, customs and other components of economic policy of the state; corruption in the management staff at various levels; outflow of capital through offshore zones.

Given the above, we want to propose the following ways to solve the problem of the shadow economy in Ukraine: first, to create an effective legal framework for de-shadowing, standards, sanctions that can regulate the de-shadowing of the economy and strengthen the fight against corruption. Secondly, to create a single supervisory body that will monitor and evaluate the shadow sector of Ukraine. Currently, these functions are entrusted to several bodies that are governed by different regulations, which leads to difficulties in decision-making, and as a result – inefficient activities of regulatory authorities. Third, strengthen control over the virtual sector of the economy, and update the Convention on Cybercrime, which was ratified in 2005. Fourth, implement foreign experience in de-shadowing financial flows, which will help prevent new methods of legalizing shadow capital.

Thus, we can conclude that the level of the shadow economy in Ukraine is quite high, so these measures are appropriate and necessary for the stabilization and future development of the Ukrainian economy. This will raise it to the level of developed European countries. Further priorities in the fight against the shadowing of the economic sector should be to combat the shadowing of financial flows and the legalization of the labor market.

References

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