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SHADOW COMPONENT OF ECONOMIC ACTIVITY: CONTENTS AND BASIC CONCEPTS

Now there is no universal common definition of «shadow economy». It is obvious that both domestic and foreign scientists do not have a single opinion on the essence of the shadow economy. The problem is not only in the interpretation, but also in the use of terms, of which there are more than thirty. The English-speaking world prefers to use the term «black» economy or «hidden». North American researchers mostly use the terms «underground», «hidden» and «shadow» economy. The concept of «black» economy is actively used by Danish, French, German and Italian scientists, but the term «secret» prevails in France, «shadow» - in Germany, «hidden» - in Italy.

«Shadow» economy in any of its interpretations is an economic activity that takes place informally, out of control of the state. Therefore, we apply the interpretation that the shadow economy is an economic activity that develops outside the state accounting and control, and therefore is not reflected in official statistics. «Shadow» enterprises do not redistribute their own revenues to budgets and state trust funds, they do not pay taxes, increasing their own profits.

Shadow economic activity has long gone beyond and parasitized in all areas of human life: from the economy of households to large enterprises, affecting the activities of the state and changing the level and way of life of the population.

All this allows us to conclude that the shadow economy should be considered as a special segment with the following system properties:

- generality;

- integrity;
- connection with the external environment, which is manifested in the process of interaction with it through close intertwining with the official economy with the help of legal economic structures, as well as with the institutions of the state and society;
- ability to self-organization and continuous development, organic inclusion in world economic relations (through, for example, the widespread use of offshore companies by organized entities operating in the shadow economy) [1].

The shadow economy as a set of unaccounted for and illegal economic activities includes three independent segments:

Hidden economy – defines legally permissible actions that are not officially taken into account or reduced by their subjects in order to evade taxes, as well as the implementation of various administrative requirements or deductions of social contributions.

Illegal economy – a legally prohibited economic activity related to the production and sale of prohibited goods and services. These are all activities of professional criminals, which are completely excluded from normal economic life, because they are considered incompatible with it, destroy it.

The informal economy is a legal type of economic activity that is not prohibited by law, in the framework of which the production of goods and services that are not fixed by official statistics and the concealment of this activity from taxes take place. It is possible in almost all sectors of the economy.

The main reasons for the total shadowing of Ukraine's economy. Imperfection of the judicial and law enforcement system, lack of a clear one state program to combat organized crime, including in the economic sphere, low public confidence in the judiciary and law enforcement agencies.

Interest of some representatives of the state apparatus in existence shadow economy and in obtaining shadow income.

Inefficient administration of taxes confirming the rating evaluation of this area.

This is also facilitated by the large and unfair tax burden, increasing the share of unprofitable enterprises, low level of payment discipline, instability and imperfection of tax legislation, ignorance of this legislation, legal insecurity of taxpayers. Another important reason is the lack of effective penalties for non-compliance with tax laws, which creates additional incentives to minimize and evade taxes.

Socio-economic crisis, irregular work of a large number enterprises, delays in wages, rising unemployment, lack of social protection. Interstate integration of the shadow sector of the economy and entities shadow economic activities [2].

Thus, the shadow economy is a phenomenon that is simply impossible to eliminate altogether, but its size can be minimized. This situation of the national economy slows down the socio-economic development of the country, which is manifested in rising unemployment, inflation, failure to receive tax revenues from the state budget, reducing real GDP, and most importantly – reducing welfare of the population. The shadow economy has a negative impact on the state economic security of the country.

Therefore, the issue of organizing and improving the security of Ukraine is a holistic problem, so it should be about the security of the country as a whole, the security of individual regions and certain social groups. Since in real political, economic and social situations it is impossible to completely overcome the shadow economy, it is necessary to be focused on limiting this crime to its level in developed countries.

References

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2. Kubaichenko A. Classification of Forms of Shadow Economic Activity from the Viewpoint of Ensuring Economic Security. *Baltic Journal of Economic Studies*. 2018. Vol. 4. No. 1. pp. 242-247.