

SHADOW ECONOMY, ITS DANGER AND PREVENTIVE MEASURES

Y. V. Hamza

*Belarusian State University, Minsk;
gamza02@inbox.ru;
scientific advisor – V. P. Kuntsevich, senior lecturer*

The article analyzes the impact of the shadow economy on the development of small and medium-sized businesses in the Republic of Belarus using data from the IPM Research Center. The issues of interaction between the authorities and the business community, the role of business unions in their solution are considered. Measures to combat corruption are proposed, as well as directions for limiting shadow activities.

Keywords: shadow savings, corruption, state regulation of small and medium-sized businesses.

Any state has a shadow economy. The shadow economy covers many spheres of human life, but at the same time, insufficient statistical data, hiding the necessary information complicate the study and accurate measurement of the shadow sector.

If we consider the formation of the shadow sector in the Republic of Belarus, the following key factors can be distinguished: an ineffective tax system, its repressive nature. Also, the growth of the shadow economy is facilitated by the significant role of the state in the country's economy, which manifests itself in the following forms: 1) a significant state sector in the country's economy; 2) a large role of regulatory authorities, complex administrative procedures such as price negotiation, licensing; 3) unequal position of enterprises of various forms of ownership, which brings benefits to some and losses to others.

In 2018, the International Monetary Fund conducted its study of the level of the shadow economy in the Republic of Belarus. According to this report, the level of the shadow economy averages about 44.52% of GDP for the period from 1991 to 2015.

To a large extent, the informal sector succeeds in areas that are not easy to control. These include the construction business, car repair services, import and sale of auto parts, supply of goods from third countries.

Corruption should be noted among the main elements of the informal sector. In Belarus, the fight against corruption is traditionally in the center of attention of both government bodies and law enforcement agencies, and representatives of the scientific community. Studies show that a high degree of corruption can lead to a slowdown in economic growth and a decrease in the inflow of foreign direct investment.

According to the respondents, among the main causes of corruption, in the first place is society's tolerance for this phenomenon, in second place is the greed of government officials. If we consider measures to combat corruption, then the following approaches can be proposed: 1) toughening criminal penalties for corruption offenses; 2) increasing the efficiency of anti-corruption bodies and strengthening administrative control; 3) reducing the degree of state regulation of the economy.

Equally important is such a measure to combat corruption as the formation of an intolerant attitude towards it in society.

Most of the respondents see the main reason for the existence of the shadow sector of the economy in the conditions of doing business. The lack of dynamics in changes in business conditions on the part of the state leads to the fact that representatives of small and medium-sized businesses lose their optimism and less and less believe in overcoming external barriers.

Despite the insignificant positive influence of the shadow economy on the official economy of the state (reducing social contradictions, stimulating the growth of the formal economy), it should be recognized that the level of the shadow sector must always be kept under control.

Reducing its size to a minimum level should become a strategy for combating the shadow economy. This can be achieved by creating conditions for reducing the shadow operations of business and strengthening the fight against corruption. Therefore, the strategic directions of combating shadow economic activity should be considered: 1) improving the legal framework and the formation of an effectively regulated market economy; 2) more liberal tax legislation; 3) simplifying business conditions for small businesses; 4) popularizing business unions; 5) increasing the effectiveness of the fight against corruption.

In addition, one can single out another approach to limiting the shadow economy - cultural and normative. It is aimed at changing social norms and increasing citizens' loyalty to the state.

The state has full responsibility for the level of the illegal economy and must minimize this phenomenon. It should be noted that it is the measures of an indirect nature, such as the improvement of legislation, the social protection system, that are more effective than direct administrative measures. Also, repressive measures are not so popular among respondents, which indicates a high level of control and punishment for participation in the shadow sector of the economy.

Thus, we can conclude that in order to reduce the volume of the shadow economy, an integrated approach to solving this problem is necessary, reforming not only tax legislation and administrative procedures, but also changing

social norms, the perception of citizens of the Republic of Belarus of their state.

Bibliographic reference

1. Belarusian business 2016: state, trends, prospects [Electronic resource]. - Access mode: <http://www.research.by/webroot/delivery/files/Business2016r.pdf>. - Date of access: 05.03.2021.
2. Bokun, N.Ch. State and trends in the evolution of the shadow economy in the Republic of Belarus / N. Ch. Bokun // Accounting and analysis. / Founders: Belarusian Association of Accountants, Auditing and Consulting Service «Audix». - Minsk: [b.i.]. - 2015. - No. 7 (223) - p. 16-24.
3. Zakharova, L.I. Conditions for the effective impact of the state on the shadow economy: Monograph / L.I. Zakharova. - M.: Prometheus, 2011. -- 70 p.
4. Luchenok, A.I., Markusenko, M.V., Bokun, N.Ch. Shadow economy: global trends and realities of Belarus. Analytical report / A.I. Luchenok, M.V. Markusenko, N.Ch. Bokun [and others]; under scientific ed. P.G. Nikitenko; Institute of Economics of the National Academy of Sciences of Belarus. - Minsk: Law and Economics, 2009. - 83 p.