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## **MAIN APPROACHES TO ASSESSING THE LEVEL OF RISKS OF THE SHADOW ECONOMY FOR NATIONAL ECONOMIC SECURITY**

*The article defines that the objects of risk influence are the main functions of the state, designed to ensure the stability of the functioning of economic entities and the life activities of citizens, the realization of the potential of national development, and taking into account compliance with legislation and generally accepted norms. It has been analyzed that for citizens, these functions provide for ensuring their safe life and compliance with all their constitutionally guaranteed rights, and for enterprises - ensuring the conditions for financial and economic activity within the same framework for all. The stated functions of the state include public safety, and social and economic policy.*

**Keywords:** *shadow economy, national security, economic security, risks, shadow sector, tax mentality, tax morality.*

Formulation of the problem. To analyze and assess the level of risk, it is necessary to analyze the state of those functions of the state that ensure stability in society and order in the country. The shadow economy includes all types of economic activity, the results of which are not under the control of the state authorities or directly contradict the legal norms. The state is engaged in ensuring the security of business entities, that is, ensuring acceptable conditions for the implementation of entrepreneurial initiatives. The worse the

state copes with its responsibilities, the wider the influence of other subjects. The issue of reducing the manifestations of the shadow economy and regulatory regulation of the reasons that encourage the emergence of this type of illegal activity is extremely important in the difficult economic situation of the state.

Analysis of recent research and publications. The analysis of the appearance and transformation of the shadow economy in legal frameworks and the problems of their regulation is directly considered with the problem of making changes to legislative acts and the degree of influence of the state on the regulation of the economy to prevent the development of the shadow economy. The state policy of combating the shadow economy is also analyzed, which is characterized by a pronounced focus on achieving different goals and tasks facing the state at a certain point in time. Most of the research in this field is based on the works of famous scientists[2; 3].

Presenting main material. The shadow economy is a hidden part of public production that is under the jurisdiction of the state, but outside the sphere of its control. However, the shadow sector in the economy is not the result of sudden external influences that are outside the national economic system and are not related to established social relations. These relations can provoke the development of the shadow sector, or hinder it.

When studying such a phenomenon as corruption, the negative influence of the shadow sector on social and economic life has a recursive nature. The shadow economy, which is generated by the weaknesses of the social and state system, decomposes this system and develops, increasingly penetrating all spheres of social, state and even political life.[2]

In order to prevent this destructive process, it is necessary to identify the phenomena that are the source of the development of shadow processes and even assess the level of their influence. The result of such an assessment, which has a quantitative expression, can be considered an assessment of the level of risk of the development of the shadow economy as a threat to national economic security.

The most reliable indicator that demonstrates not only the number of proven crimes but also their seriousness in relation to the person, the state, and humanity is the number of prisoners per the total population of the country. It seems that the share of the shadow economy is a reflection of the state's inability to ensure the security and protection of citizens' economic activities.

By way of objection, it should be noted that the number of persons convicted of economic crimes, with a relative share of justice, can only speak about the level of spread of shadow processes, but does not allow us to judge the reasons for their growth and the strength of their influence. In addition, the following paradoxical fact was experimentally revealed: a fair system of differentiated fines and punishments does not restrain the influence on the spread of the shadow economy. At the same time, the introduction of the practice of undifferentiated, harshest court decisions, which provide for the deprivation of liberty of those guilty of economic crimes, can be effective only when limiting directly criminal activities - prostitution, drug addiction, trade in stolen goods, etc. limitations in the development of entrepreneurship. [4]

Since the shadow sector is widely defined as "business activities and the income derived from them that bypass government regulation, taxation or surveillance", it can be assumed that the growth of the tax burden provokes the development of tax evasion.

Here we also see a vicious circle: the tax burden, which is not assessed as adequate, is a risk factor for the departure of entrepreneurial activity "into the shadows". The greater the share of business entities going "into the shadows", the greater the amount of taxes that must be collected from each legally operating entity in order to fill the budget with funds for social needs - medicine, education, utility costs.

An increase in the tax burden increases the shadow economy, while the availability of public goods financed by taxes reduces the incentives to participate in the shadow economy. Nevertheless, to ensure a deterrent effect, it is necessary to ensure that citizens have access to the public goods provided by the collection of these taxes. This hypothesis fully corresponds to the understanding of the shadow economy as a threat of non-

compliance by the parties with the norms established in society and, as a result, the destruction of the integrity of the national economic system. As a result of measures to curb the spread of the practice of non-compliance with the requirements of tax legislation and illegal, non-state-controlled income generation, the state declares the conditions for conducting business activities, which it will facilitate. Since each citizen is also a taxpayer, personal non-compliance with the requirements of non-payment of taxes can be limited if their conscientious payment is encouraged through social security, education, and communal services financed from the budget. [3]

However, punitive or deterrent measures for violating tax rules may displace the motivation to pay them. Thus, the fact of fulfilling tax requirements is the result of a complex interaction between measures to curb the spread of tax evasion and tax morale.

Tax mentality and tax morality characterize the attitude to the practice of taxation of the population of different countries and different strata of the population in the same state. Tax mentality is a person's attitude towards taxation. Tax morality reflects the individual's position regarding tax offenses. The tax mentality, as research has shown, is a derivative of the general mentality of the nation. Sociological research conducted in the middle of the 20th century in European countries showed that the most favorable tax mentality and tax morality are in England.

The importance of tax morality in the economic behavior of economic subjects increases if taxpayers see an increase in public goods in response to an increase in tax collection.

It is fair to note that a high tax morale and tax mentality means that the society considers the tax treaty to be fair, in connection with which measures in the form of fines and penalties for non-compliance will also be considered fair. In this case, the measures deterring the violation of the tax treaty will not provoke the avoidance of shadow taxes.

At the same time, punishment of participants in shadow economic relations in the absence of the expected encouragement in the form of measures to improve the standard of living and conduct entrepreneurship are not part of the cycle of reasons for the

development of the shadow sector. When the volume of the shadow sector falls, the effectiveness of the system of fines and punishments for violating tax legislation increases, but in the conditions of the growth of the shadow sector, the growth of the system of punishments is not effective in limiting it. This means that in a society with a formed tax morality when the tax treaty is mostly followed, restrictive measures for non-taxpayers are positively applied. [1]

Another reason or risk factor for the development of the shadow sector is the increase in the number of personnel willing to work in "shadow" enterprises. The phenomenon of the reverse effect of the strengthening of regulatory provisions is also noted here.

High tax rates on the income of individual workers increase the role of incentives for their avoidance. High tax rates require an increase in labor costs in order to maintain income at the same level. In this connection, there is a tendency to avoid work in the official economy and switch to "black" wages. In addition, bans or special conditions for hiring migrants also create the ground for them to seek opportunities to work in the shadow sector.

There is also a recursive interplay of factors: the higher the tax burden, the more the labor force was included in the shadow sector, the less taxes are collected, and the greater the tax burden falls on citizens employed in the official economy.

At the same time, the underpayment of social taxes reduces the level of social protection: assistance and other payments for the unemployed population. This, in turn, pushes him for shadow earnings and again reproduces the lack of funds for social protection. That is, here too there is a vicious circle of dependence of risk factors that lead to the avoidance of the economy from state control and the social results of this withdrawal.

The development of the shadow economy is also affected by the level of freedom of entrepreneurship, the decrease of which forces various of its representatives, who do not fall under the requirements of regulatory bodies and evade the actual business practice,

to leave the state control. If the effective market relations, however, do not meet the regulatory state norms, then the income from these relations will also avoid taxation.

The lack of freedom of entrepreneurship as a risk factor of the "shading" of the economy can be assessed based on the rating "Index of Economic Freedom" of the countries of the world, which is compiled annually by the American fund "The Heritage Foundation" together with "The Wall Street Journal". According to the calculation method, countries with the maximum level of freedom have a rating index of "100", and the most regulated economy has a rating index of "0".

Another risk factor for the expansion of the shadow sector is corruption, which is recursively dependent on the level of this sector in the economy. Both of these phenomena, as mentioned earlier, have a mutual and encouraging influence on each other. The level of corruption and, accordingly, the level of risk of growth of the shadow sector can be assessed based on the "Corruption Perception Index", which has been compiled every year since 1995 by the non-governmental international organization "Transparency International". This index also takes the value of "100" if there is no corruption, and is equal to zero in the case of a maximally corrupt economy. [2]

To prove the possibility and fairness of using these indicators to assess the risk of growth of shadow processes in the economy, we will consider the mutual movement of these indicators in the period from 2010. until 2020 for Turkey. Here, in order to ensure the compatibility of the analyzed data, we will consider not the values of the indicators themselves, but the deviations from the average of each year.

There is an obvious strong dependence of the growth of the share of shadow GDP on the level of corruption and the freedom of the economy. In the period of 2016-2018, the dynamics of changes in the share of the shadow product in the country's GDP showed a tendency to decrease to an average level and below this level. In the same period, indices of economic freedom and perception of corruption improved in Turkey, exceeding their average value. Thus, the dynamics of changes in indices of perception of corruption and freedom of the economy can be the level of risk of development of the shadow sector.

As noted, the low level of social security is also a cumulative risk factor for the development of the shadow economy, as it undermines tax morale, which is generated by confidence in the "paternalistic" function of the state. [1]

The main task of the state in the field of protecting citizens and ensuring the stability of compliance with generally accepted norms, that is, the existing institutional system, is the redistribution of the population's income. A good indicator of the uneven distribution of incomes of the population, used by almost all countries in the world, is the Gini coefficient of income concentration.

In addition to the redistribution of the population's income and the fight against poverty, the sphere of social policy of the state includes health care and education.

The indicator of the risk factor of the expansion of the shadow sector of the economy in connection with the violation by the state of its obligations to provide its citizens with protection functions in the field of education should take into account the amount of coverage of the population in both primary, secondary and higher education. However, it is the population with a higher education, due to its availability, that is most clearly aware of the importance of state institutions and the importance of complying with the requirements of the law. At the same time, the higher the share of such a population in its total number, the higher the possibility of increasing the efficiency of the legal economy.

This means that if the population is fully covered by higher education, the factor of ineffective state policy in the field of higher education will be zero. The population's lack of primary and secondary education creates a layer of citizens most prone to involvement in the shadow sector, creating a threat to that part of the population that is unable to realize the harmfulness of cooperation with the shadow sector of the economy. This part of the population does not consider it their duty to comply with the requirements of the state, as it does not feel a positive influence for the existence of cooperation with it.

Since the target indicator of the policy in the field of education is the simultaneous full coverage of the population in primary and secondary education, their impact should

be evaluated as the product of the impact of each. The level of negative impact of each indicator should be estimated as the sum of the real share of the population not covered by education which shows the target state of such coverage. Then the factor indicator is ineffective

Conclusions. The negative impact of the shadow sector on socio-economic life has a recursive nature. The shadow economy, which is generated by the weaknesses of the social and state system, decomposes this system and develops to a greater extent, penetrating all spheres of social, state, and even political life.

For the formation of tax morality in society as a tool that restrains the tendencies of production of goods and services without state control, it is necessary to provide citizens with access to public goods provided by tax collections.

The importance of tax morality in the economic behavior of economic subjects increases if taxpayers see an increase in public goods in response to an increase in tax collection. A high tax morale and tax mentality means that the society considers the tax treaty to be fair, in connection with which measures in the form of fines and penalties for non-compliance will also be considered fair.

The branching of the state apparatus, the level of the total tax burden, and unemployment are directly correlated with the greatest growth of the shadow sector (regression coefficients are positive and the level of significance of the error is small). The development of the shadow economy is also affected by the level of freedom of entrepreneurship, the decrease of which forces various of its representatives, who are not subject to the requirements of regulatory bodies and do not correspond to the effective business practices that have developed, to leave the control of the state.

The lack of freedom of entrepreneurship as a risk factor of the "shading" of the economy can be assessed on the basis of the rating "Index of Economic Freedom" of the American fund "The Heritage Foundation". The level of corruption and, accordingly, the level of risk of growth of the shadow sector can be assessed on the basis of the "Corruption

Perception Index" of the non-governmental international organization "Transparency International".

The state's performance of its "paternalistic" functions forms "patriotism" in the nation, in particular, the willingness to comply with the rules and regulations introduced by the state. In this regard, the level of risk of the expansion of the shadow sector can be assessed through the reliability of state guarantees for the social protection of the population, including redistribution of income and provision of a sufficient level of education and health care at the expense of the budget.

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