

SHADOW ECONOMY: THE NATURE, CAUSES OF OCCURRENCE, AND WAYS TO OVERCOME IT

Skoruk O.V.

Candidate of Economic Sciences,
Senior Lecturer at Department of Economics,
Security and Innovative Activity of Enterprise,
Lesya Ukrainka Eastern European National University

The article explores the essence, components, and features of the shadow economy in Ukraine. A comparative analysis of Ukraine's shadow economy with other countries is carried out. The main reasons for the emergence of the shadow economy and its manifestations are substantiated, the consequences of the shadow economy for the economic security of the state are determined. The ways for overcoming the shadow economy for strengthening the economic security of Ukraine are proposed.

For the sustainable development of Ukraine's economy and its accession to the world community, the spread of the shadow economy is a significant obstacle. It negatively affects all economic processes and is one of the significant threats to the national security of the state in the economic sphere.

The shadow economy exists in any country, regardless of the level of development of the national economy. However, in some countries, the shadow economy is at a level that does not have a significant impact on the economy (5–12% of GDP), while in others, it has a detrimental effect on all socioeconomic processes (over 30% of GDP). Unfortunately, Ukraine belongs to the second category of countries, the volume of the shadow economy of which, according to the Ministry

of Economic Development and Trade data for 2010–2016, fluctuated between 34–43%.

We believe that the shadow economy is a concealed and/or non-concealed economic activity whose purpose is to deliberately or involuntarily obtain extra profits as a result of uncontrolled socio-economic relations.

Having reviewed various views on the definition of shadow activity and its components, we believe that for a thorough analysis of the shadow economy, it is necessary to classify it by the nature of the activities of the entities:

- “hidden” (“grey”) shadow economy – fully allowed economic activity associated with the manufacture of legal goods and the provision of legal services (construction, assembly, household, medical, lease services, etc.), which are partly not accounted for by official statistics and, consequently, hidden from taxation;

- “underground” (“dark grey”) shadow economy – illegal production and sale of legal goods without their documentary registration and/or registration of entrepreneurial activity;

- “criminal” (“black”) shadow economy – the law prohibits economic activities related to the production and sale of prohibited goods and services (e.g., corruption, drug trafficking, etc.).