

# Proceedings of International Educators Conference

Hosted online from Rome, Italy.

Date: 25<sup>th</sup> February, 2024

ISSN: 2835-396X

Website: [econferenceseries.com](http://econferenceseries.com)

## THEORETICAL FOUNDATIONS OF REDUCING THE INFORMAL ECONOMY IN UZBEKISTAN WITH THE HELP OF FINANCIAL RESOURCES

Rakhmanov Laziz Erkabaevich

Tashkent State Economic University Independent Researcher

### Abstract:

In recent years, this article in our republic examines the issues of the effective use of financial instruments to reduce the share of the shadow economy in the country, as well as the fact that the work of tax authorities to combat the widespread practice of concealing the amount of income by taxpayers and the use of tax evasion schemes, are not carried out separately and consistently, led to a decrease in tax discipline, a hidden study was conducted to analyze and evaluate the results of maintaining the scale of the economy and the deterioration of business conditions for honest entrepreneurs, and scientific and practical conclusions and proposals were developed for its application.

**Key words:** shadow economy, financial, hidden economy, tax revenues, analysis, risks, efficiency, schemes, tax discipline, methods and tools, advanced information and communication technologies, analysis, optimization, tax rate.

### Introduction:

Uzbekistan, like many other countries, faces a number of unique economic problems, one of which is the prevalence of the informal or often so-called "secret" economy. This informal economy includes economic activities that occur outside of formal regulations, tax systems, and labor laws. Its existence creates several problems for the country's economic development, fiscal stability and social welfare. Effective use of financial means to reduce the share of the secret economy is an important condition for the economic development of Uzbekistan. The informal economy can have some advantages, such as providing livelihoods to sections of the population and filling gaps in the formal sector.

In the economy, producers and consumers (actually producers and consumers) have their own interests. Among such interests, economic interests have priority, and they are the basis for the realization of other interests of individuals. The economic



## Proceedings of International Educators Conference

Hosted online from Rome, Italy.

Date: 25<sup>th</sup> February, 2024

ISSN: 2835-396X

Website: [econferenceseries.com](http://econferenceseries.com)

interests of producers and consumers cause them in some cases to be outside the interests of society, and to be against it. It is the factors that cause these "some cases" themselves. Therefore, the peculiarities of the economic sphere of the society lead to the violation of the "rules of the game" if the non-acceptance of the generally accepted norms (these norms are actually reinforced by the law) or the dominance of the economic interests that encourage them to be avoided. This structure of the "rules of the game" was initially assessed as immoral (as a disregard for social norms) and legal measures were taken by the state regarding them.

Violation of the rules of economic activity established by the state, circumventing them, especially not paying the established taxes, evading payment in various ways, farming the land belonging to the state without permission and not notifying the relevant authorities of the state about the income from it, and tax within the income received non-payment, looting of other people's property, non-observance of customs regulations, as well as abuse of office and similar cases were named differently in their times. As we mentioned above, such names are called immorality, treason, thief of society, bribery, and various punishment measures have been applied to such persons.

The development of the world economy, the strengthening of scientific research on the economy, the ratio between production and consumption in the economy, the further strengthening of scientific research on the estimation of the gross domestic (national) product created within the framework of any given national economy and its real size is a separate scientific research for such processes. required to be approached as.

Uzbek scientists A. Olmasov and Sh. Qabulov evaluate the hidden economy and secret economy as a similar category as economic processes and types of economic activities that are not conducted openly by the participants, are not controlled by the state and society, taxes are not paid, and are not recorded in official state statistics. These scholars also emphasize that it expresses the interests of a group of dishonest individuals in the form of economic relations related to the production, distribution, exchange, and consumption processes of goods and services that cannot be publicly noticed.

The form of the hidden economy, known as "white-collar workers" and the "second" hidden economy, when taken into account, means illegal re-appropriation of the generated national income in a secret form, based on illegal activity in the creation



## Proceedings of International Educators Conference

Hosted online from Rome, Italy.

Date: 25<sup>th</sup> February, 2024

ISSN: 2835-396X

Website: [econferenceseries.com](http://econferenceseries.com)

of products in enterprises and organizations, which at first glance seems to be , although it seems legal, it is very difficult to identify and therefore dangerous, which is why it is called "white collar workers". An example of this is that products that are not taken into account in the production workshops of enterprises are generally produced and appropriated by some individuals.

The activity known as the "gray" underground economy is essentially an economic activity that is not prohibited by law and involves the production and sale of goods and services that are not registered. In this case, the main issue is that production processes and their results are not reflected in accounting and statistical accounts in the prescribed manner, if in reality value is created, however, their volume and quantity does not sit in the volume of official national products, in turn, goods or services are actually available in the consumer market. In fact, while the products created serve to satisfy consumption in the market, they do not work for the national interest, nor do they contribute to the financing of their public interest, since these products are not taxed.

The "black" underground economy is recognized as the most dangerous form of the underground economy. This form of clandestine economy is based on economic and legal activities based on total disregard for laws and the production of prohibited activities and goods (services) and their full appropriation without official consideration. It will be based on organized and individual crime, violence, theft, robbery, human trafficking, gambling, extortion racketeering, drug business, arms trade, etc. Based on the redistribution of income earned as a result of legal and transparent activities in such a clandestine economy, it has a negative impact not only on the economic process of the society, but also on the socio-political and social processes. In addition, despite the fact that this form of economic activity does not bring funds to the state budget, it also leads to an increase in budget expenses aimed at preventing them, and in turn, as a result of forced re-appropriation of other people's legal income, it causes a decrease in the real money income of the population.

It should be noted that the emergence of the secret economy has occurred since the emergence of the state as a socio-political force and the introduction of various mandatory norms (laws and decrees of the head of the state within the absolute authority of the head of state) to the society, but this process is influenced by the economic, social and legal process. quality is not evaluated. It can be logically



## Proceedings of International Educators Conference

Hosted online from Rome, Italy.

Date: 25<sup>th</sup> February, 2024

ISSN: 2835-396X

Website: [econferenceseries.com](http://econferenceseries.com)

determined that there were a lot of such cases, which have only a simple appearance of not paying taxes or using a plot of land for which the right has not been allocated. However, this and other such issues of scientific research of obtaining income without performing economic activity based on legal requirements and on the basis of illegal activity actually began to be paid attention to in the 30s of the twentieth century.

British sociologist and economist K. Hart, American economists P. Gutman, E. Feig, and E. Soto conducted the first scientific research on this process. That is, K. Hart introduced the concept of secret (informal) economy into scientific circulation, P. Gutman showed the states that the scale of the secret economy is expanding and its negative role in every national economy, and E. Soto showed that the secret economy is related to corrupt processes and it cites it as one of the main factors of the impoverishment of countries and scientifically describes the role of the population's reaction in it. Among the first scientific approaches in this regard, P. Gutman's work entitled "Hidden Economy" written in 1977 develops scientific conclusions in the form of a warning to the states that secret economic activity is increasing and its scope is expanding in the economy of the USA and other countries, especially in third world countries. It shows the main factors in this process and some ways of effective use of financial instruments within the state (for example, money circulation, monetization, tax burden, inflation, currency policy, informal employment) in order to prevent it.

### Conclusions and suggestions

Financial literacy and education programs should be implemented to enable individuals in the informal sector to effectively manage their funds and transition into formal banking. Financial institutions can develop products tailored to the needs of such businesses, making it easier for them to transition into the formal sector.

It is necessary to work together with representatives and associations of the informal sector to understand their needs and problems and to facilitate formalization, and to develop a strategy for Uzbekistan using international best practices and experiences in addressing the informal economy. These proposals reduce the shadow economy in Uzbekistan is a complex process that requires a complex, multifaceted approach. By implementing effective financial instruments and supportive policies,



## Proceedings of International Educators Conference

Hosted online from Rome, Italy.

Date: 25<sup>th</sup> February, 2024

ISSN: 2835-396X

Website: [econferenceseries.com](http://econferenceseries.com)

Uzbekistan can attempt to formalize its economy, increase fiscal stability, and improve the welfare of its citizens.

### Reference /Литература/Адабиётлар:

1. Ўзбекистон Республикаси Вазирлар Маҳкамаси ҳузуридаги Солиқ қўмитаси маълумотлари. [www.soliq.uz](http://www.soliq.uz).
  2. Нормурзаев, У. (2023). Мамлакатимизда солиқ тизимида амалга оширилган ислохотлар таҳлили. *Iqtisodiy Taraqqiyot Va Tahlil*, 1(4), 177–183. <https://doi.org/10.60078/2992-877X-2023-vol1-iss4-pp177-183>.
- Ўзбекистон Республикаси Солиқ кодекси- Тошкент: Гафур Гулом нашриёт уйи 2020.- 640 б.
- Нормурзаев, У. (2023). Янги Ўзбекистон тараққиёт стратегияси доирасида молия бозорининг долзарб муаммолари тадбиркорликни тенг рақобат шароитларини яратиш ҳамда яширин иқтисодий улушини қисқартириш йўлари. Приоритетные направления, современные тенденции и перспективы развития финансового рынка, 88–89. извлечено от <https://inlibrary.uz/index.php/financial-market-growth/article/view/19032>
- Нормурзаев, У. (2023). Солиқ имтиёзлари бериш тартибини такомиллаштириш масалалари. *Iqtisodiyot Va ta'lim*, 24(1), 334–339. [https://doi.org/10.55439/ECED/vol24\\_iss1/a51](https://doi.org/10.55439/ECED/vol24_iss1/a51).

