

## Reasons for the Emergence of the Shadow Economy in Uzbekistan

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### Abstract

*In everyday life, we very often encounter illegal activities (in stores, at work, etc.). In order to reduce the level of shadow activity, we need to understand its structure, study the reasons for the emergence of the shadow economy, and also identify ways to reduce the shadow sector in our country. It is these aspects that I will consider in my work in order to identify ways to eradicate illegal activities in our country.*

**Keywords:** *Third world, foreign market.*

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The emergence of the shadow economy began in the USSR (late 60s - early 70s) and covered such types of economic activities that were carried out outside direct state control and sanctions from official governing bodies of party committees at various levels [8]. Shadow activities became an element of the socio-economic system of the USSR. In those years, common types of shadow activities included all kinds of barter and odd production releases. The constant shortage of goods in the country led to speculation, which was an integral part of the informal sector. An important reason for the development of shadow activities in our country is considered to be a significant increase in income due to the low rate of commodity filling in the consumer market.

To begin with, it is necessary to identify the stages of formation of the shadow economy in the post-Soviet space:

1. The first stage covers the period (1991-1994). The key process of this stage was mass privatization. Citizens were given vouchers symbolizing their share in the national wealth.
2. Second stage (1995-1996). This period marks the monetary stage of privatization, which took place on the basis of the Presidential Decree on loans-for-shares auctions.
3. The third stage (1997-1999). Here, the financial crisis of 1998 had a huge impact on the formation of the shadow sector. Large businessmen managed to save and even increase their funds.

It is important to consider the reasons for the development of the shadow economy, which are brought to our attention by researcher in this area V. Radaev .

1. The emergence of a structural and economic crisis, as a result of which the situation in the labor market is complicated, which gives rise to surges in small businesses and self-employment
2. Mass migration from Third World countries, supplemented by internal migration
3. The nature of government intervention in the economy. The share of the informal economy depends on three components: the degree of regulatory intervention, the level of taxation and the extent of corruption.

4. The opening of foreign markets and the intensification of competition with third world countries, encouraging them to reduce costs by all legal and illegal means.

Also, the formation of the shadow sector in our country was influenced by 2 types of factors: restraining and stimulating the development of shadow processes.

Limiting factors:

1. Lack of large cash savings among the population
2. Limited requests from the population due to lack of information
3. Strict legislation and practice of law enforcement agencies.
4. Low degree of differentiation of the population by level of material wealth.

Stimulating factors:

1. Growing needs along with rising incomes for all segments of the population
2. The desire of the population to invest money as a way to escape inflation.
3. Monopoly in economics.

In addition to the factors presented, scientists identify three groups of factors contributing to the development of the shadow sector of the economy. These factors are typical for both Uzbekistan and other countries:

1. Economic forces. These include high taxes
2. Social factors. Low standard of living of the population, which contributes to the development of hidden types of economic activity. High level of unemployment and the orientation of part of the population to obtain income in any way.
3. Legal factors. Imperfection of legislation. Insufficient activity of law enforcement agencies to suppress illegal and criminal activities. Imperfection of the coordination mechanism to combat economic crime.

It is also worth highlighting government intervention in the economy as a consequence of the development and growth of the shadow sector. First, business registration. Secondly, the reluctance of owners to pay state taxes. So, in the 90s, firms had to pay over half of the newly created value as taxes. Thus, having considered all the reasons and factors for the formation of the shadow economy in our country, we can say that each factor played an integral role in the development of the shadow segment. But, in my opinion, the main one of all the reasons I have identified is the development of speculation. After all, by bringing goods illegally from abroad, people have already undermined the economy of their country. Illegal sales “from under the counter” gave sellers a good income. This, I believe, is the starting point in the “circle of the shadow sector.”

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