SHADOW ECONOMY OF UKRAINE

Oksana Nezhyvenko
PhD candidate in Finance
Doctoral School of the NaUKMA,
Program "Finance"

Research supervisors

- Research supervisor – Svitlana Shumska,

  Candidate of economic sciences,

  Associate Professor, National University of "Kyiv-Mohyla Academy"

  Institute of Economic Forecasting, NASU, UKRAINE

- Research co-supervisor – Philippe Adair,

  PhD in economics,

  Associate Professor, University Paris XII Val de Marne, FRANCE

Research questions, purpose of research

- There is always some kind of economy "in shadow"
- SE – main feature of the economy in transition
- Significant SE – characteristic of the "survival" economy
- Large-scale or complicated investments are impossible under such circumstances
- The most common reasons for business activities taking place in shadow:
  - burdensome and costly **government regulations**
  - level and administrative complexity of **taxation**

The **<u>purpose</u>** of this research is to define main factors of the existence of a SE in Ukraine and to identify the ways to reduce its size.

Methodology

- ## Macroanalysis – MIMIC method
    - linking the unobserved variables to observed indicators
    - defining factors that influence the SE

- ## Microanalysis
    - econometric micro-simulation in order to model the ways to reduce the SE
    - the methodology of the International Labour Organization
        - information on general household income and expenditure, households production, purchases of goods and services from individuals
        - information for measuring the SE
        - provided by the State Committee of Statistics of Ukraine with 13 000 surveyed participants

Tendency in the research of SE

- Main approaches:
    1. Direct (voluntary replies, tax auditing, compliance methods)
    2. Indirect (macroeconomic)
        1. National income ≠ National expenditures
        2. Official ≠ Actual labour force
        3. Transactions approach
        4. Currency demand approach
        5. Physical input (electricity consumption) method
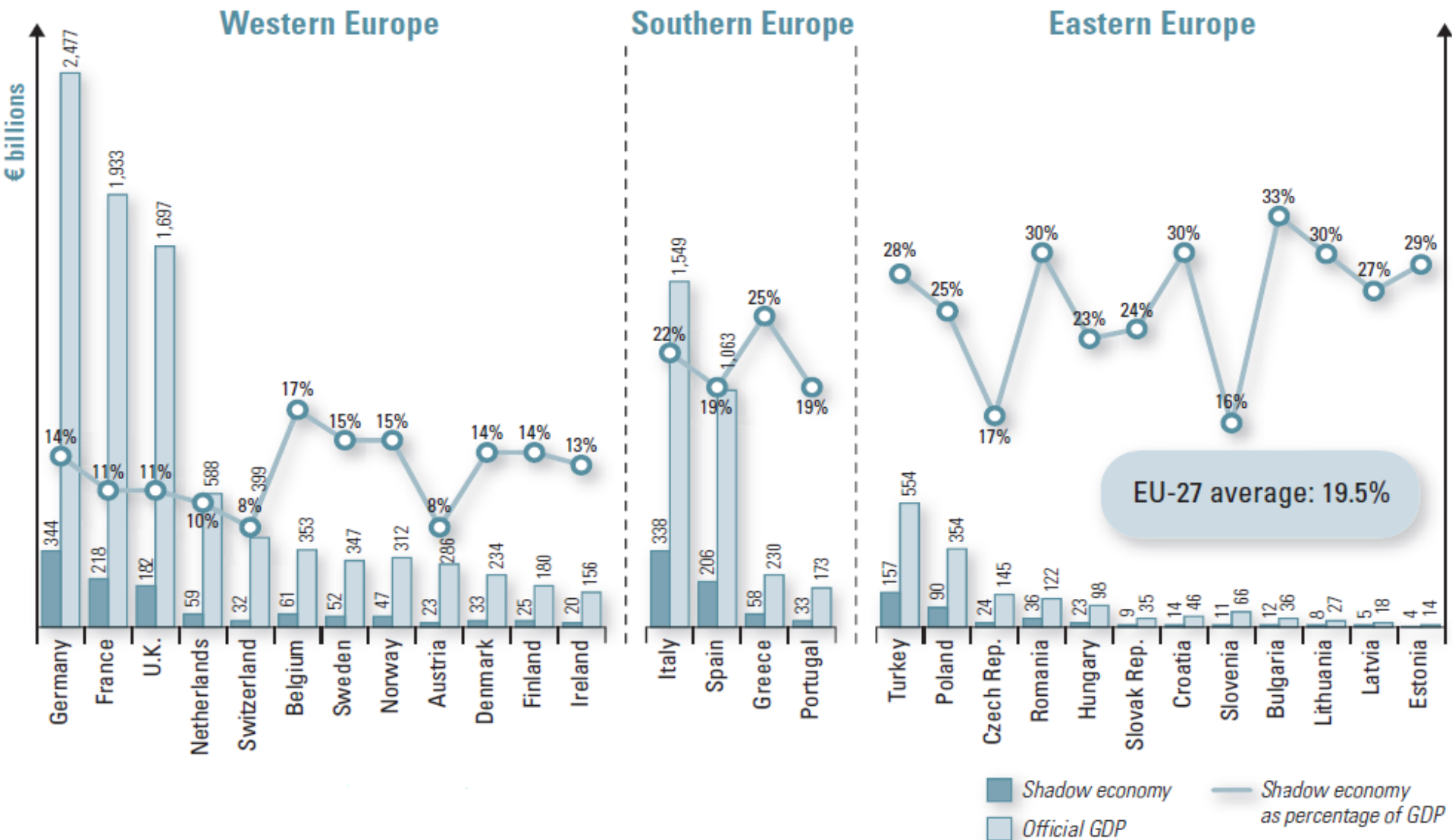   3. Model approach

Research results

- Researched the basic and main literature on the topic.

- Analyzed the situation of SE in Ukraine.

- Analyzed the situation of SE in Europe.

- Analyzed the SE in Ukraine in the context of European integration.

- Compared SE in Ukraine and Romania

- Participated in scientific conferences on the topics mentioned above in Ukraine, Finland, and Slovenia.

Features of SE of Ukraine

- High taxation
- Heavy regulation
- Declining "tax morality"
- Size of the businesses in shadow
- Sectors of the businesses in shadow
- Disputes in legislation
- Distribution of Society

Size of SE for European countries, 2010

Difficulties

- Getting necessary statistics
- Dependency of methodology on statistics
- Interdisciplinary study

Thank you for attention!

Q&A