

UZBEKISTAN WITHOUT A SHADOW ECONOMY

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Annotation: this article cites the origins of the clandestine economy and how much it is harming GDP and proposals to eliminate the clandestine economy.

Keywords: full digitalization of tax, macroeconomic stability, criminal economic activity, KPI systems, blockchain.

Introduction: The shadow economy, the clandestine economy, are economic processes and types of economic activity that are not openly carried out by participants, are controlled by the state and society, are not subject to taxes, and are recorded in official state statistics. It is the process of production, distribution, exchange, and consumption of goods and services that can't be openly, and based on interests of certain individuals or groups. The shadow economy exists in almost all countries of the world. The hidden economy has existed in society since the early periods of the formation of Public Administration, which by now has become an urgent problem for all countries of the world. The scale of the development of a secret economy depends on the level of development of each country, the socio-economic situation in it and the features of state regulation and management of the economy. Therefore, the role and role of the hidden economy in the economy of each country is also different. Studies and observations show that the scale of the hidden economy is slightly less.

Main Part. Hidden economic activity has an invisible form, the types of which embody such features as constant variability, complexity, bypassing control stages, occurring through different directions. And when carrying out this activity, there will be opportunities to take advantage of corruption, one of its branches. There is a close connection between corruption and the hidden economy, which have common roots in administrative barriers and are the main forces that threaten economic security. Uzbekistan, which is part of the global economy of the world, still has a high hidden economic sector, despite the reforms carried out to liberalize the economy and legalize business. Even at a meeting dedicated to the discussion of priority tasks for ensuring macroeconomic stability and economic development in our country, it was noted that the hidden economy is a huge obstacle to entrepreneurs who are working properly. 30 trillion from the hidden economy to the state budget in Uzbekistan. 135 trillion sums

per gross domestic product were hurt. Almost 11,000 businesses (41 percent) reported only 1 person as a worker.

The number of enterprises in the Republic of Uzbekistan made 1 worker

Tashkent	3336
Andijan	688
Fergana	701
Namangan	513
Syrdarya	367
Jizzakh	454
Samarkand	837
Kashkadarya	849
Surkhandarya	737
Bukhara	757
Navoi	386
Khorezm	537
Karakalpakstan	765

One of the reasons for the low effectiveness of work to combat the hidden economy is the lack of a covert economy and a coordination system of activities to combat economic crime. Currently, the number of offices responsible for combating the economy and economic crime is 14 in the Republic, which does not have a system of coordination of activities.

In the scientific literature, the following: economic, social, legal-political factors are recognized in the emergence and development of a hidden economy.

In this, economic factors are: the high tax burden, the crisis of the country's financial system and its negative impact on the economy, the uncontrolled circulation of cash, the imperfection of the privatization process and the absence of honest competition in the country. Such factors in themselves will have the effect of motivating or forcing an entrepreneur to operate in the shadows.

And social factors are manifested by: a high level of unemployment, a low standard of living of the population, the desire of the unemployed part of the population to earn income in any way, and an uneven distribution of gross domestic product in social spheres.

In addition, the lack of proper formation of tax culture in society or the low level of financial literacy is also the reason for the formation of non-social and economic thoughts in members of society.

Legal and political factors are: imperfection of legislation, problems in the implementation of foreign economic activity, insufficient powers of law enforcement structures to put an end to illegal and criminal economic activity, imperfection of the

mechanism for coordinating the fight against economic crimes, incompleteness of property rights, strict licensing requirements in certain activities, an abundance of bureaucratic barriers, restrictions on trade and labor market rules.

The gradual elimination of these factors serves to reduce the share of the hidden economy in any country, eliminate corruption and strengthen the economic security of the country. Foreign researchers emphasize the need to progress the economy using digital transformations, which are gaining popularity today. Just as the advantages and effectiveness of digital technologies in reducing corruption are proven, even in this situation, modern methods and processes can to some extent hinder the development of a hidden economy. Many reforms to determine and reduce the scale of the hidden economy have also been carried out in our country, and this pressing problem is on the agenda. Over the past period, the value added tax rate was reduced by 3% and the social tax rate by 50%, in order to reduce the size of the hidden economy in exchange for the legalization of business and a decrease in the tax burden. A sharp reduction and simplification of licensing and permitting procedures are considered to be factors of shading a business. To this end, from March 1, 2024, 7 types of licenses are being canceled, 12 types of authorization procedures are being combined and licensing under 3 different types of activities is being put into the notification procedure.

In my opinion, the following proposals serve to reduce the share of the hidden economy:

- establishing a transparent system of taxpayer incentives that fully fulfills tax obligations in tax customs reforms;
- elimination of bureaucratic barriers by full digitalization of tax and customs procedures;
- implementation of regulatory reforms in the field of Labor Relations in which to introduce regular control to determine the compliance of legislation on Labor Relations;
- to improve the social security systems of employees, to avoid contributions, to apply measures that discourage individuals from participating in the informal economy;
- imposing strict penalties on employers or employees who do not comply with Labor Relations, simplifying procedures to facilitate the legal functioning of employers, digitizing the management system of fully and transparently controlled employees, promoting the introduction of KPI systems at enterprises and regulating mechanisms for its fair functioning;
- setting the maximum marginal value when trading in cash;
- using technology such as blockchain to create transparent and observable financial transactions;
- popularizing the increase in financial, legal and IT literacy of citizens, promoting

the negative consequences, harm and the advantage of combating the hidden economy through media and social network platforms;

-creation of the legal framework of the system of protection of persons who reported on hidden economic activity;

– to establish mechanisms for controlling the correct accounting in economic entities, in which to revise the rules of internal control.

The introduction of these proposals into practice serves to reduce the share of the hidden economy.

CONCLUSION: The hidden economy of Uzbekistan is large in size and poses serious threats to economic stability and the state budget. At the same time, there are also positive effects of the clandestine economy, as it plays an important role in job creation and small business support. However, in the long run, effective tax policies, digital innovations and economic reforms are necessary to avoid and mitigate the negative effects of the hidden economy. Eliminating the shadow economy is a pivotal step for Uzbekistan to achieve sustainable economic growth, increased transparency, and greater trust in its financial systems. By addressing key challenges such as tax evasion, informal labor markets, and regulatory inefficiencies, Uzbekistan can unlock its full economic potential and attract more domestic and foreign investments.

Efforts to combat the shadow economy, including digitalization, stricter enforcement of regulations, and promoting financial literacy, are laying the groundwork for a more formalized and robust economy. A transparent economic environment not only enhances fiscal stability but also ensures fair competition and equitable distribution of resources among all citizens.

Uzbekistan's journey toward minimizing the shadow economy is a long-term process requiring continuous reforms, collaboration between government and private sectors, and active participation of civil society. However, the benefits of a formalized economy—such as increased tax revenues, enhanced public services, and stronger integration into the global economy—make this transformation both essential and worthwhile. With sustained efforts and commitment, Uzbekistan can achieve an economy free from the shadows, fostering prosperity and long-term development.

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