



## DIGITALIZATION AS AN IMPORTANT FACTOR OF LEGALIZATION OF THE SHADOW ECONOMY

\* *Nozim Muminov*, \*\**Shoira Olimjanova*, \*\*\**Akmal Salimov*, \*\*\*\**Tatyana Kim*

\* *Professor, Department of Economic Theory, National University of Uzbekistan, [n.muminov@nuu.uz](mailto:n.muminov@nuu.uz); [nozim.muminov@mail.ru](mailto:nozim.muminov@mail.ru)*

\*\**Associate Professor, Department of Economic Theory, National University of Uzbekistan, [sholimjonova@mail.ru](mailto:sholimjonova@mail.ru)*

\*\*\**Ministry of Physical Culture and Sports of the Republic of Uzbekistan, Deputy Head of Internal Audit and Financial Control, PhD, [a.salimov@minsport.uz](mailto:a.salimov@minsport.uz)*

\*\*\*\**PhD, Associate Professor of the Department of Economic Theory, National University of Uzbekistan, [Tatyana.kim2229@gmail.com](mailto:Tatyana.kim2229@gmail.com)*

*E-mail: [n.muminov@nuu.uz](mailto:n.muminov@nuu.uz)*

### ABSTRACT

*The article discusses the issues of digitalization of certain types of economic activity in the context of the total use of electronic (Internet) applications. The first type of activity is related to electronic commerce and the problem of paying through physical cards to an individual's card, which leads to tax evasion by most people involved in this activity. The second type of activity is directly related to the first, and implies the introduction of a "virtual" cash desk in retail trade.*

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## 1. Introduction

Digital technology is becoming an integral part of all areas of everyday life. Starting from communication and purchasing, and ending with the production of goods and the functioning of government agencies, everything goes into a virtual environment that predicts a great future. The world is embraced by the idea of digital transformation, and Uzbekistan does not remain aloof from global trends. It is no coincidence that 2020 has been declared the Year of the Development of Science, Education and the Digital Economy in the country. The government of the republic begins the development of the Concept of the national strategy "Digital Uzbekistan-2030", the draft of which has been submitted for general discussion.

## 2. The degree of knowledge of the problem

Given that the digital economy is a relatively new type of economic activity, scientists began to be interested in this

problem from the second half of the twentieth century. But only by the second decade of the XXI century, this direction began to take on the shape of a separate science requiring a specific attention. The writings of M.A. Polozikhina examines the various definitions and content of the concept of “digital economy”. The possibilities and risks of digitalization of the economy [1] are discussed.

In the studies of Professor Panshin B. [2], the theoretical foundations, stages, driving forces, factors of the effectiveness of modern digitalization and the digital economy are considered. The key components of the term “digital economy” are presented: digital technologies, ecosystems and transformations, taking into account their interconnection and interdependence, as well as continuity with the previously developed conceptual series - informatization, intellectualization and robotization. For a clear understanding of the object and subject of research, the importance of the essence of the phenomenon of the digital economy and the stages of its development is shown. It is noted that the digital economy is an integral part of the information (digital) environment, formed in accordance with the needs of the real sector of the economy and the needs of society, changing under the influence of technological innovations.

The writings of Tursunkhodzhaeva M.L., Tarakhtieva G.K. [3] affirm that the digital economy has emerged as a result of the inception, rapid development and widespread dissemination of electronic computing, information technology and the Internet; At present, in many developed countries, the digital economy is being introduced into all industries, target laws and programs are being developed and approved that will become the springboard for the development of the digital economy; The article analyzes the impact of the digital economy on the development of the Republic of Uzbekistan; target indicators for the long-term development of the country are listed.

Scientists involved in research in this field of activity sometimes associate the problems of digitalization with a certain area of socio-economic activity. Research by Mirzarakhimova A.B. devoted to the importance of the widespread adoption of information and communication technologies in healthcare [4]. And in the studies of Muminov N.G., Zakhirova G.M. The stages and directions of digitalization of the public procurement system are considered [5].

In the research of I. Nikitina [6] devoted to the problems of the shadow economy, the main approaches to the definition of the concept of the shadow economy are analyzed and the classification of shadow economic events on various grounds is considered. Through the classification of shadow economic activity [7] Glushkov VV gives different points of view on the typology of shadow economic activity; analyzes the concepts of legal, extra-legal, semi-legal economy and other types of management; gives an explanation of the content of forms and elements of the shadow economy, as well as the grouping of business entities involved in shadow activity. In the writings of V. Yuryev and A. V. Ermakova [8], theoretical aspects of the shadow economy problem, various approaches to determining the role of the shadow economy and related problems are considered. The economic situation is assessed and the problems of determining the range of the shadow economy at the regional level are investigated.

At the same time, it should be noted that there is still very little scientific work investigating the shadow economy and reducing its negative impact on the economy by digitalizing certain types of economic activity. Given this situation, this study examines the digitalization of retail services as one of the important factors in the legalization of the shadow economy.

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### 3. The main results

With the development of digitalization, e-commerce has flourished in Uzbekistan today. Through Telegram channels, Instagram, Facebook, without leaving your home, goods and services are sold.

The range of such online stores is often no different from the average outlets registered as business entities. When paying for a product or service, such "sellers" in most cases ask to transfer money to an individual's card (P2P). As practice shows, most of these "entrepreneurs" did not pass state registration. This income is not declared and, therefore, is not taxed, which leads to the flourishing of the “shadow economy”.

In many foreign countries, AML (Anti-Money Laundering - “anti-money laundering”) and KYC (Know Your Customer - Know Your Customer) systems operate in commercial banks. In the process of their use, banks analyze suspicious transactions and, if signs of illicit cash flow are detected, report them to the tax authorities and bodies for combating economic crimes.

Considering the above, a draft joint resolution of the State Tax Committee and the Central Bank “On the procedure for the electronic transfer by the Central Bank and commercial banks of the Republic of Uzbekistan of information on bank accounts to the State Tax Committee” has been developed.

It is worth noting that foreign experience was studied while preparing this document, . For example, in countries such as Russia, Kazakhstan, Belarussia, Poland, Latvia, Lithuania, a system has been established for the exchange of information between banks and tax authorities.

**Another direction.** In our country, factors of the “hidden” economy are analyzed and a program to combat it is being developed. Currently, an online project is being implemented in the amount of 200 million US dollars in the form of direct investment.

The problem behind the "little piece of paper." Most consumers do not require a purchase receipt when purchasing a product: they either forget it or simply consider it unnecessary. Some sellers also do not consider submitting a check [9]. This seemingly simple and insignificant situation can actually cause a number of problems. In particular, the absence of demand or the failure to issue purchase receipts creates the basis for the illegal circulation of cash outside the bank - the “shadow economy”. However, it is not easy to get the seller and the buyer to bear equal responsibility regarding the purchase receipt. In this case, the best choice is digital technology, which minimizes the participation of the human factor. An online cash register or virtual cash register is one such important tool.

**Checks that do not have a QR code are not considered valid.** The name and quantity of goods or services are not reflected in some purchase receipts distributed through the current cash register. In addition, it is not possible to verify the authenticity of the check. In this regard, an online cash register or a fiscal check of a virtual cash register is convenient for both the seller and the buyer. That is, it reflects the name, quantity, price of the goods (work, services), the main thing is that there is a QR code for checking the authenticity of the check. Checks that do not reflect this information are not considered valid.

An online cash register or virtual cash register allows you to transfer check data to the operator in real time, i.e., to the database of the State Tax Committee. Enterprises can purchase such devices on their own. However, before purchasing an online cash register or virtual cash register, it is necessary to check whether this device or software product is included in the State Register. Business entities must register for use at a voluntary service center included in the State Register. The Center for New Technologies under the State Tax Committee signs an agreement with the applicant on the basis of the application, sends the submitted documents and a copy of the agreement to the State Tax Service using a special information system.

The transition of business entities to this system is mandatory. Only this will be done step by step. The schedule was approved by the Presidential Decree “On measures to introduce modern information technologies in the settlement system in trade and the service sector and to strengthen public control in this area”. Since March 1, 2019, a pilot project has been carried out in Tashkent on the widespread use of online cash registers and virtual cash registers. As a result, more than 385,000 check receipts with a total turnover of more than 72 billion sums were registered in the database of the State Tax Committee.

Starting from January 1, 2020, online cash registers and virtual cash registers will be gradually introduced in all regions of the country. In particular, since January 2020, 20,909 alcohol, tobacco stores, pharmacies and gas stations; From August 1, 2020, 1,200 business entities annual income of which, according to the results of last year, exceeded five billion sums;

From January 1, 2021, 21,600 entities annual income of which, according to the results of last year, exceeded one hundred million sums or reached this threshold during the year, a total of 43,700 business entities will be transferred to the use of online cash registers or virtual cash registers by the end of 2020.

After these periods, failure to submit a check for the sale of goods and services without using an online cash register or virtual cash register or presenting a check without a fiscal sign will be the basis for liability according to the law. It should be noted that these requirements do not apply to enterprises operating in remote areas. Their list is annually approved by the Ministry of Information Technologies and Communications of the Republic of Uzbekistan, the State Tax Committee, the Council of Ministers of the Republic of Karakalpakstan and the regional administration.

Switching to an online cash register or virtual cash system is important for the state. Firstly, the share of the shadow economy will be reduced through such digital technologies. Direct contacts with business entities and employees of the State Tax Service will be reduced, preventing the corruption. Data reliability will be guaranteed. The tax base will be expanding.

An online cash register or virtual cash register is also useful for business. They get rid of the obligation to use cash registers with existing fiscal memory. The obligation of the cashier-operator to keep a cash register book and withdraw his daily report will be canceled. Entrepreneurs have the right to transfer cash to the bank's cash desks through the collection service at any time or independently, regardless of the amount of average daily cash receipts. Most importantly, it has become possible to reduce the cost of purchasing and introduction of an online cash register to 10 times of the base estimated amount due to taxes. The provision of the base part of the "Virtual Cashier" is organized by the State Tax Committee on a free basis.

## Conclusion

Research methodology is the specific procedures or techniques used to identify, select, process, and analyse information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability.

The proposed procedure for the electronic transfer of information on bank accounts by the Central Bank and commercial banks of the Republic of Uzbekistan to the State Tax Committee establishes a mechanism for electronic exchange of information between the STC, the Central Bank and commercial banks. This will provide:

- legalization of e-commerce by timely registration as business entities;
- creating a reliable tax base;
- systematic tax risk management;
- the eradication of the "shadow economy" and the creation of a favorable business climate.

The main achievement of the system of using the online cash register or virtual cash register is to facilitate the lifestyle of our people, to improve the quality of life. After all, this system improves the quality of goods and services, reduces unnecessary costs. This provides the basis for strengthening local public control. Protection of the rights and interests of consumers is further guaranteed. Over time, this will become another system to combat the "shadow" economy.

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