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## WAYS TO COMBAT THE SHADOW ECONOMY IN UZBEKISTAN

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### *Abstract*

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The shadow sector is also expanding in certain regions of Uzbekistan, which is due to minimal control over the movement of funds carried out through the banking system to the regions. As for measures aimed at reducing the growth of the shadow sector of the economy, today this is the tightening of measures to combat corruption, the expansion of organizations involved in the fight against the illegal economy, and also, every day, underground organizations are being discovered.

**keywords:** radical liberal approach, repressive approach.

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## INTRODUCTION



The main question facing our legislation is “How to deal with the constant growth of shadow activities in our country”? Specialists involved in research in the field of shadow economic activity put forward all sorts of ways to solve this problem in our country [1]. The main goal of the fight against the shadow sector of the economy is the legalization of the official economy and the desire to eliminate the criminal economy [2]. In government authorities, public organizations and scientific institutions, two approaches to solving the problems of the shadow economy dominate.

The first is radical liberal, implemented since the end of 1991 and associated with targets for ultra-high rates of initial capital accumulation. Its result is: a critical increase in the scale of the shadow sector, the suppression of powerful financial and production clans [3].

The second is a predominantly repressive approach, which arose as a reaction to the negative aspects of the radical liberal approach [4]. This approach involves expanding and strengthening units that can help reduce the level of illegal activity, such as the Ministry of Internal Affairs, the tax inspectorate, etc [5].

## RESULTS AND DISCUSSION

Today, in the context of the rapid growth of the shadow sector, our country uses such measures as: identifying underground industries, strengthening control over financial flows, preventing the laundering of “dirty” money, and tightening the fight against corruption. But these actions are not enough to significantly eliminate the shadow sector of the economy [6]. Therefore, experts in this area are talking about making fundamental changes in macroeconomic policy, aimed at moving not to gross investment growth, but to the growth

of effective investments that create competitive production. They believe that it is necessary[4]:

1. Create a truly market-based taxation system in order to ease the rigidity of monetary policy and increase domestic demand.
2. Creating a favorable investment climate to stimulate the development of priority sectors of the economy.
3. Reducing the bank interest rate is a necessary condition for reducing inflation. In this regard, banks are cautious in assessing the prospects for sustainable suppression of price growth, as well as the general situation in the financial markets.
4. It is necessary to develop and implement a program for the repatriation of Russian capital, taking into account global experience and the capabilities of Uzbekistan.

Thus, all the measures I have given to reduce the level of shadow activity, taken together, will help reduce a fairly significant part of shadow activity in the country's economy, stabilize the level of the economy, and also improve the economic structure of the country.

Today, the reason for the rapid growth of the shadow sector in the regions is the loss of control over the economy by the federal center. Most regions of Uzbekistan exist through the allocation (transfer) of funding from federal budgets[7] . The existing system of so-called "transfers" opens up wide opportunities for carrying out shadow transactions. Financing of the region's subjects goes through the banking system, which entails all sorts of financial fraud. Therefore, the state should monitor more carefully: how the transfer went, what the funds were used for. After all, fraud with allocated budget funds, today, is the most common in the area of the so-called "enrichment" of officials [8].

Consequently, the scale of the shadow sector both in the country as a whole and in the regions is growing every year; our country is a major power, the level of the shadow sector of which is about 43% of GDP. These are very large numbers compared, for example, with European countries [9]. We need to reconsider measures to combat shadow activities, firstly in the constituent entities of the federation, pay special attention to the areas of specialization of a particular subject, and also normalize the system of government bodies that are involved in identifying economic crimes in the structure of the shadow economy [10].

## **CONCLUSION**

The government of Uzbekistan must address the growth of its shadow economic activities. The two popular methods used over the past few years, namely the radical liberal method and the repressive method, have not succeeded in solving this problem completely. Identifying illegal industries and increasing monitoring of financial flows are some of the measures deemed ineffective. Reducing bank interest rates, a market-based taxation system, a favorable investment climate, and a capital repatriation program are some of the macroeconomic policy changes suggested by experts. In addition, it was emphasized that the growth of the shadow sector was caused by the loss of federal central control over the economy in some regions. To prevent financial fraud, stricter monitoring should be conducted on the allocation of federal funds. By following this procedure.

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