

FIGHTING THE SHADOW ECONOMY AND TIGHTENING CONTROL OVER CASH PAYMENTS**Rafiyeva Zarina Khusanovna**Assistant of department of Investments and Innovations
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Abstract. The article examines the issues of combating the shadow economy and tightening control over cash transactions as a tool to enhance financial transparency and tax compliance. The study analyzes the scale of the shadow economy, methods of cash control, and their impact on legal business and budget revenues. The research shows that digitalization of financial flows, the adoption of cashless payments, and educational programs for entrepreneurs increase the effectiveness of control measures and reduce the risk of business operating in the informal sector. Recommendations are provided for improving the regulatory framework, promoting cashless payments, and adopting a comprehensive approach to combating the shadow economy.

Keywords. shadow economy; cash control; tax compliance; cashless payments; digitalization; small and medium-sized enterprises; fiscal policy

Introduction. The shadow economy is one of the key challenges facing modern economic development, negatively impacting the fiscal stability of the state, the competitiveness of legitimate businesses, and socioeconomic security. Undeclared income, unrecorded transactions, and illegal transactions lead to significant budget losses, reduce the effectiveness of public policy, and limit funding opportunities for social programs.

Particular attention in the fight against the shadow economy is paid to monitoring cash transactions, as cash transactions are most often used for tax evasion, income concealment, and the creation of illicit financial flows. Strengthening controls over cash transactions is becoming a tool for ensuring the transparency of financial transactions, improving tax compliance, and encouraging businesses to transition to the legal sector.

This topic is relevant because, with the digitalization of the economy and the development of cashless payment systems, the state has new opportunities to monitor financial flows, but simultaneously faces the need to improve the regulatory framework and increase the effectiveness of control instruments. Research into combating the shadow economy and tightening controls over cash transactions allows us to identify mechanisms for reducing shadow turnover, assess their impact on businesses and budgets, and develop recommendations for improving tax and financial controls.

The purpose of this study is to analyze measures to combat the shadow economy and assess the effectiveness of tightening controls over cash transactions, identify risks, and determine prospects for further optimization of these government regulatory instruments.

Literature review. The shadow economy and controls over cash transactions are widely studied in economic, financial, and legal literature. From an economic theory perspective, the shadow economy represents the totality of economic activity concealed from official accounting and tax control, resulting in significant fiscal losses and distortion of market mechanisms (Schneider & Enste, 2000; Feige, 2016).

Russian and international studies emphasize that one of the effective tools for combating the shadow economy is control over cash transactions, as cash is most often used to conceal income and evade taxes (Ivanov, 2018; OECD, 2021). Strengthening controls over cash flows is seen as a way to increase the transparency of financial transactions, minimize the risk of abuse, and encourage businesses to transition to the legal sector.

The authors of domestic studies (Petrov, 2019; Smirnova, 2020) note that tightening controls should be accompanied by the development of a regulatory framework and the introduction of modern technologies for monitoring and automating financial flows. An important element is the integration of controls over cash transactions with general tax administration and electronic payment systems. International studies (Friedman et al., 2000; Dell'Anno, 2007) show that the digitalization of financial transactions, the development of cashless payments, and the introduction of electronic registries can significantly reduce shadow transactions and increase voluntary tax compliance. However, it is noted that excessively strict controls without supporting legitimate businesses can create administrative barriers and encourage some entrepreneurs to enter the illegal sector.

A number of studies analyze the socioeconomic consequences of the shadow economy: reduced tax revenues, limited funding for government programs, and increased economic inequality (Schneider, 2015; IMF, 2022). The authors emphasize the need for a comprehensive approach combining legal regulation, economic incentives, and informational and advisory support for businesses.

A literature review shows that combating the shadow economy requires a combination of legal, economic, and technological measures. Control over cash transactions is a key tool, but its effectiveness depends on the balance between the state's fiscal objectives and support for legitimate businesses. Despite a significant amount of research, there remains a need for practical assessments of the impact of tightened controls on various segments of the economy and small businesses.

Analysis and research results. An analysis of statistical data and research publications shows that the shadow economy remains a significant factor influencing state fiscal revenues. According to the International Monetary Fund and national statistical agencies, the shadow economy's share of gross domestic product varies from 15% to 40% in various countries. The main forms of shadow activity include tax evasion, the use of "gray" payment schemes, and unofficial cash payments.

Tightening controls over cash transactions, including transaction limits and mandatory use of cash registers and electronic payment systems, has demonstrated a positive impact on reducing the share of the shadow economy. A practical analysis revealed the following results:

- a reduction in the number of large transactions conducted without official records;
- an increase in the use of cashless payments among small and medium-sized businesses;
- increased transparency of financial flows and improved control over tax revenues.

However, some limitations were also identified: tightening controls creates an additional administrative burden on businesses, especially small ones, and requires modernization of the infrastructure for processing financial data.

A practical analysis showed that excessively stricter controls can lead to the following risks:

- a shift of some entrepreneurs to the completely illegal sector;
- an increase in the costs of doing business and the costs of compliance with control requirements;
- a potential decline in investment activity if control measures are perceived as overly restrictive.

However, a comprehensive approach, including electronic payments, digital accounting, and educational programs for entrepreneurs, minimizes these risks and increases the overall effectiveness of measures to combat the shadow economy.

Based on an analysis of literature and statistical data, the following conclusions were reached:

The shadow economy remains a serious problem, negatively impacting budget revenues and economic development.

Tighter controls over cash transactions help reduce shadow transactions and increase the transparency of financial transactions.

The effectiveness of control measures depends on a comprehensive approach, including digitalization, educational programs, and incentives for cashless payments.

A balanced policy helps reduce the risks of negative impacts on small and medium-sized businesses and supports the development of legitimate entrepreneurship.

Conclusion. The study revealed that the shadow economy remains one of the most serious problems of modern economic development, negatively impacting tax revenues, business competitiveness, and socioeconomic stability. Tightening controls over cash transactions is an important tool in combating illicit financial flows, increasing the transparency of transactions and encouraging entrepreneurs to enter the legal sector.

A practical analysis has shown that these controls effectively reduce shadow transactions, promote the use of cashless payments, and improve tax compliance. However, excessive strictness without adequate business support can lead to an increased administrative burden and a decline in investment activity, especially among small and medium-sized enterprises.

The effectiveness of combating the shadow economy directly depends on a comprehensive approach, including digitalization of accounting, the implementation of modern monitoring technologies, educational programs for entrepreneurs, and the creation of incentives for conducting business legally.

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