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## **THE IMPACT OF THE SHADOW ECONOMY ON THE LIVING STANDARDS OF THE POPULATION**

*Annotation. The article deals with the problem of being in the shadow a part of countries' economies and its impact on the general standard of living and well-being of the population. The main possible reasons for the decrease in budget revenues and, as a result, a decrease in the well-being of the population, are revealed. It is determined that the shadow economy undermines the general development of the country's economy, and, consequently, the standard of living and development of the population.*

*Keywords: shadow economy, living standards of the population, welfare.*

**Introduction.** The level of income of the population is an indicator of its general standard of living and prosperity. Today, a big problem for many countries is staying a part of the economy in the shadow, which is especially important for developing countries, including Ukraine. Shadow economy affects the welfare and living standards of the population of these countries significantly. Failure to receive taxes, fines, penalties and other sources of the annual state budget has a

great impact on the quality of life of the most vulnerable groups – retirees, people with disabilities, large families, families who have lost a breadwinner – those who receive social assistance from the budget.

Thus, it is important to intervene immediately in order to develop the ways of solving this problem.

**Goals and methods.** Despite the existence of many both domestic and foreign scientific achievements, the problem of the negative impact of the shadow economy on the country's population remains relevant.

Thus, the main object of our study is to highlight the problems and the need to solve them about being in the shadow part of the economy, as well as their impact on the general standard of living and welfare of the population, especially the most vulnerable. The methodological basis of the study were the fundamental provisions of economics. Modern methods of scientific research were used to solve the set tasks, in particular: qualitative analysis and synthesis.

**Results and discussion.** The concept of the shadow economy is multifaceted. Due to this, scientists interpret it differently. Thus, Z. Varnaliy defines the shadow economy as the implementation of any economic activity outside the state and, as a consequence, without proper control [1]. According to I. Zavinovsky, the shadow economy is an illegal, fictitious, selfish activity aimed at obtaining of hidden income, often using criminal or illegal ways; a systemic indicator of inefficiency of public administration and unfavorable business conditions, as well as a tool for enriching individual market participants close to the government [2]. V. Priymak calls the shadow economy hidden – that part of economic activity, which is not specifically reflected in statistical reporting in order to avoid paying taxes, resulting in a reduction of tax revenues to the state budget and insufficient funds to stimulate economic growth [3].

Thus, the shadow economy is an activity of illegal content concerning the relations on the organization and conduct of production, sale of products, provision

of services, etc. for the purpose of non-payment of taxes and other payments from the received income by hiding from the state the real sizes or income at all.

In turn, the concept of population welfare is widely studied. Many Ukrainian and foreign scientists have explained the wealth of the population in different ways. For example, O. Chechel argues that the level of well-being is a factor that hinders or promotes human development, creating additional incentives or limiting the ability of individuals and the general population to implement active economic behavior [4]. According to the Ukrainian economist T. Fertikova, the welfare of the population is a set of living conditions that are created during production, distribution, exchange, consumption, form a hierarchy of needs and determine the level of their satisfaction [5].

Consumption of goods – both material and spiritual – is the basis of the existence of society as a whole and the individual in particular, as well as their continuous development. That is, the production of goods must be constant and continuous. Since there is a relationship between production and human needs, the relationship between the country's income – its budget – and the welfare and living standards of the population is obvious: the state's failure to receive tax, non-tax and other revenues that form the revenue side of the budget entails lower living standards of beneficiaries.

The reasons for such budget shortfalls can be corruption in higher authorities and in the state as a whole, especially in developing countries, imperfect legislation that can be "circumvented" through certain schemes, low fines and sanctions for concealing the true level of profits and full or partial non-payment of taxes.

Unscrupulous businesses and high-ranking officials reduce total budget revenues at various levels by robbing them and accumulating illegally acquired property. Entities that criminally conceal the amount of their income, as well as the totality of material values, i.e. wealth, deprive the state of the opportunity to provide their citizens with appropriate benefits, and their recipients the right to ensure a decent life.

Thus, the impact of the shadow economy on the living standards of the country's population is significant and requires immediate intervention to improve the lives of vulnerable groups and the general population, as well as to restore equality and fairness between honest taxpayers and those who try to avoid penalties.

**Conclusions.** The impact of the shadow economy and its level on the welfare of the country's population is indisputable. Consequently, states have to combat this phenomenon, as the main purpose of the existence of the state is to ensure a dignified life for the population.

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