

PROCESS CONTROL OF DESHADOWING OF RELATIONS IN TOURIST BUSINES

This article conducted a systematic analysis of the main causes of shadow processes (lack of proper market environment, the severity of the tax burden, the presence of poorly controlled border spreading hidden employment, structural imbalances) that hinder the development of tourism in Ukraine in recent years have revealed possible ways to legalize relations in tourism business. The main priorities of the state resort and tourism policy are as follows: the creation of optimal legal regulations of tourism and resort development in Ukraine along with their infrastructure; ensuring state promotion of the foreign and domestic tourism development in Ukraine; making the national tourism product competitive on the world market.

Keywords: shadow economy, hidden employment, deshadowing, tourism industry, strategy of tourism development.

Problem statement. The world tendencies in the international tourism allow referring the tourism business to the most promising industries. A rapid growth of shadow economy comparing to the official business can be observed in recent years as a dangerous tendency in the world economic system. This results in the problem of existence of shadow processes in the tourism industry under the conditions of globalization. This problem becomes pressing for countries of the world in general as well as for national economies and regions. The spread of such a dangerous phenomenon as economy shadowing is recognized as one of the threats to the national and regional economic security that initiated the search for sources of deshadowing relations in the tourism business.

Analysis of the latest researches and publications. Numerous economic publications describe problems of deshadowing, particularly publications of the following authors: A.V. Bazyliuk, Z.S. Varnalii, Ya.Ya. Diachenko, I.I. Mazur, V.K. Mamutov, Yu.N. Popov, V.A. Predborskyi and others. The research of the shadow economy as a social and economic phenomenon appeared in special literature not long ago: from the middle of the last century and mainly in the works of foreign scholars. The following names can be mentioned among the Ukrainian researchers studying the shadowing processes and the ways of their reduction: A.Halchynskiy, O.Vlasiuk, V.Heiets, A.Bazeliuk, T.Koriahin, O.Mandybura, I.Mazur and others. The number of such publications increased in the latest years. However, the effectiveness of these researches, the practical application of their

basic results for developing certain public actions as to deshadowing the domestic economy in general and the tourism industry in particular could be much better now. It is related to many factors and especially to the political processes taking place in Ukraine.

A deep research of this matter is necessary because of the strategic orientation of the foreign economic policy of Ukraine towards a deep integration to European space, provided globalization would go on in the future and keep strengthening. The study and review of the experience of the regional and national counteraction to the world negative effect of the shadow economy becomes very important as well. Nowadays economic publications do not provide a systemic analysis of the causes for shadowing of the tourism business in Ukraine. Therefore, the national deshadowing measures in the tourism industry can hardly be taken.

The purpose of the research is, firstly, to carry out a systemic analysis of the causes for shadowing economic activities; secondly, to develop a system of integrated measures to reduce the degree of shadowing in the tourism industry.

Basic results of the research. Notwithstanding many methods of analyzing illegal economic activities available, there is no common definition yet for *shadow economic activities*. Yu.Latov defines the shadow economy as "...a system of illegal economic actions contradicting the current legislation" [1, p.15-16]. F.Shneider stresses that "...the part of the gross national product not indicated in official accounts" can be referred to as the shadow segment of economy [2, p.194].





Now the most promising way of income increasing is attraction of the shadow turnover to the legal business. Nevertheless, all the attempts to resolve this problem, particularly due to the improvement of the taxation system, the review of benefits, strengthening of the tax collection control, failed to give the expected results. The shadow economy still holds leading positions.

Shadow economy in tourism can be considered as objectively conditioned social and economic mechanism reimbursing failures and shortcomings of the legal means of economic regulation [**Ошибка! Источник ссылки не найден.**3, p.466].

It should be underlined that the importance of this problem is confirmed by many existing variants of criminal behavior. The extent of shadow economy already exceeds the legal business but it is hard to measure because the purpose the shadow economy actually appears for is to avoid any measurement [4, p.22].

The evidence of high tourism industry shadowing is the fact that there were only about 5% of legal tourists in 15% of tourists number increase in 2012 (hotels, health resorts and boarding houses where tourists are registered) and about 10% – private houses (private persons providing services to tourists in their households without paying taxes). For example, the situation in Crimea receiving 5 million 819 thousand tourists in 2011, that is five times more than the number of tourists who came to Dubai. However, they left 10 times less money than in Dubai [9].

The main factors of shadow tourism development in the transformation economy are as follows: an excessive taxation load, too much regulation and control of tourism activities and a big weight of state-run economy.

A rather new factor is transnationalization and globalization of the tourism business. This factor is especially considerable in the countries actively participating in foreign economic relationship where the financial system is relatively liberal or not controlled enough.

They are common for the countries with different types of economy – for the countries with market economy, transitional economy and developing countries. A number of fac-

tors can be distinguished as well, either solely typical for the transitional economies or having different effect under conditions of different types of economic systems.

Such factor as the extent of income and expense of local funds (budget) has diverse effect on the volume of shadow tourism.

Thus, the following factors among those contributed to the development and strengthening of the shadow tourism industry of Ukraine have to be mentioned: lack of real market environment; heavy taxation load; spread of hidden employment; structural economic imbalances.

The lack of real market environment in tourism industry is the consequence of contradictions in the industry development policy and the current legislation. The administrative and punitive measures taken by the local authorities to oppose shadowing are totally inefficient as they do not change market conditions of business activities. If the state economic policy cannot provide able-bodied people with employment and is carried out regardless the interests of the vast majority of economic players, the shadow economy will cover new areas of business and dominate the society [5, p.99]. The new rules of concluding economic transaction will emerge spontaneously where the conditions of informal agreements prevail over regulatory and controlling mission of local authorities. It becomes routine to submit minimum information about the nature and volume of entrepreneurial activities. Bribery is practiced overall. Reimbursement for additional risks and related expenditure is included in the price of services provided. Shadow tourism activities get improved and well-masked forms and realization due to the application of punitive measures. This results in criminalization of the tourism industry.

The incomplete and imperfect market mechanisms, slow economic reforms unbalance the tourism policy and the interests of most business entities. The participants of economic relationship have to create mechanisms of their cooperation by themselves. The biggest part of shadow tourism turnover is made by useful tourism activities hidden from official statistics and taxation. This environment encourages a slighting attitude of busi-

ness entities towards the local authorities. People show their growing legal skepticism as well [5, p. 100].

The regulation of tourism activities as a factor of shadowing increasing in the industry is especially important under these conditions. The most important direction of the institutional reforms in transition to the market economy is, as generally known, liberalization of economic activities. Its idea is introduction of such market freedoms as competition, entrepreneurial activities, price formation, etc. However, this process is irregular, inconsecutive and incomplete. The power of market is still limited in many segments of tourism business subjected, as before, to strict governmental regulation. Many experts consider this incomplete liberalization of tourism activities as the main ground for shadowing in this industry.

The heavy taxation load is considered one of the most efficient factors contributing to the growth of shadow economy. The fact that the tax policy exclusively serves current financial interests – i.e. attracting as much earnings as possible to the local and to the state budget – makes an excessive tax pressure on business entities. This promotes hiding the real extent of tourism activities and their shadowing, too [6, p. 61].

The world financial and economic crisis could only strengthen these tendencies in the Ukrainian tourism business. At the same time, the level of shadow economy dropped till 2008. That was caused by an increased confidence of consumers and their satisfaction brought to partial deshadowing of people's income. When a person wants to get a consumer credit, documents confirming the person's solvency (income statement) should be provided and it was the incentive for employers to legalize a part of their employees' salary [5, p. 100].

Notwithstanding a certain tendency of shadow economy reduction since 1998 that can be observed in Ukraine, it is still impossible to reduce substantially the level of tourism industry shadowing and to minimize its effect on the social and economic situation in the country [7, p. 58].

The shadow tourism industry keeps becoming well-organized and applies insolent

and fine forms of illegal activities. Our country still needs a clear mechanism of cooperation between the authorities and an efficient and integral use of all available means and resources of state organizations responsible for rights protection, control, finances, etc. in resolving the problems stated. It means that the ways of influence selected by the state do not entirely consider the factors of deshadowing of a part of Ukrainian tourism industry is depending on. It is necessary to look permanently for new measures and for understanding the fact that the problem stated cannot be resolved in separate campaigns. Such measures could be, for instance, the plans of the Ministry of resorts and tourism of Crimea to legalize minihotels having the number of places of ten and below. According to the words of Oleksandr Liiev, the first deputy minister of this authority, they have been preparing a draft of amendments to the Tax Code of Ukraine in cooperation with the authorities of the local self-government to permit hotels to work by a seasonal patent. Actually, minihotels receive their guests only for 3 months and it is rather difficult to register such entities like hotels. It will allow deshadowing the resort business of Crimea. It is also planned to issue certificates for private houses where rooms for tourists are offered [10].

The punitive actions, as experience shows, remain inefficient if they are not supported by systemic measures on creation of a favourable economic environment and on propagation of the culture of law. They do not stop shadow operations but make them very fine and masked. It is also clear that further limitation of effect of tourism business shadowing factors cannot only be based on the use of force providing temporary effect. Success can only be ensured in an integral system of actions aimed, first of all, at the elimination and prevention of the causes and conditions of these appearances and processes.

Having started the tax reform, the authorities made a very important step for economy deshadowing. Serhii Tihipko, the deputy prime minister of Ukraine talked about it at a Parliament session during the hour of Government. He said that about 40% of the Ukrainian economy is shadowed and the adopted Tax Code of Ukraine [8] is an in-





complete but a very important step for economy deshadowing. Nevertheless the expectations of the authorities failed to come true because the tax reform essentially reduced the advantages of the small business, namely the simplified taxation, which got shadowed in response to the governmental actions under the circumstances of the increased tax pressure.

Moreover, regardless the National tourism development program existing in Ukraine, the state policy of tourism development is insufficient, particularly because of lack of financing, regulatory and procedural support, consideration of peculiarities of tourism development in each region, the condition and features of development of their economy, resource background, etc. All these factors along with the systemic obstacles to the economic development of the Ukrainian regions result in the tension in social and labour relationship, increase of unemployment, development of corruption and shadow economy. It became necessary to adopt the Law of Ukraine on legalization of shadow assets earned not criminally in order to introduce the amnesty policy for a certain period towards shadow capital of not criminal origin through opening ways to it for being legally invested, including in tourism. We should mention that there already exists such a system of measures in Poland and it has been practising for a long time, and it is especially efficient in tourism and frontier regions.

Shortcoming of legal regulation of the problem studied is that the estimation of shadowing on the subregional and local levels in Ukraine is limited by the lack of a due static base and appropriate procedure that would take into account the peculiarities of shadow economy existence in certain industry. It is necessary to mention that the bureaucracy in taking decisions by the local executive authorities, uncertain determination of rights and mutual commitments of the state and the business entities, regular changes in current laws and regulations also result in the imbalance in the law and regulatory mechanism and makes obstacles to the development of economic activities.

In order to break certain shadow structures and to restrict shadow activities in tour-

ism industry, now it is necessary to take a number of measures, particularly: reforming the national system of finance control of conducting illegal activities by means of developing certain restriction instruments for shadow structures of redistribution of finance resources for each particular case; forming a special register and a general list of declarations with VAT amounts declared to be reimbursed considered doubtful; application of minimum prices for highly liquid imported goods (first of all excisable goods) for settlements and tax payment; establishing an institution of customs and tax service representatives in other countries (for exchange of information about taxation of foreign economic activities of the Ukrainian business entities); monitoring in-company prices within holding companies; introduction of changes in organization structure of state-owned holding companies (particularly disintitling companies to be legal entities) and others.

Integrated application of the measures given above will promote the process of economy deshadowing and cause the process of income legalization.

The problem of shadow capital legalization is complicated. Legalization of income earned illegally or not taxed is only a small component of the problem of shadow tourism activities and one of the ways of tourism industry deshadowing in general.

The problem of tourism business shadowing should be considered from a much wider point of view. It is necessary to have our own concept of shadow economy legalization taking into account our economic, social and political conditions as well as the features of shadow economy appearances. The numerous aspects and branches of shadowing appearances confirm senselessness of the symptomatic repressive counteraction methods in the form of strengthening punitive and control functions of the state. The key factor of deshadowing should be the establishment of a motivational law and regulatory environment ensuring efficient and profitable work of the legal tourism industry. The stability of the economic development should be ensured exclusively by means of market regulation. It will contribute to attaining political, social and economic stability in the country



provided the image of Ukraine among other countries and international organizations is improved.

Only taking active measures as to tourism deshadowing can bring the desired results. We need to create a clear mechanism of cooperation between the authorities and an efficient and integral use of possibilities of the civil society and all available means and resources of the state organizations responsible for rights protection, control, finances, etc. in resolving the problems stated. The elimination of the criminal and other illegal areas of shadow tourism turnover has to be supported by the introduction of efficient mechanisms of returning capitals of not criminal origin to the official segment of economy.

In order to do it, we need a new strategy of economy deshadowing providing, first of all, the creation of favourable conditions for the legal economic activities based on the maximum respect of the interests of the business entities. The executive authorities on their part have to elaborate and to implement the legal and organizational means ensuring active counteraction to the criminal activities in the economy.

Conclusion and opportunities of future researches. The developed tourism infrastructure promotes the improvement of attractiveness of the country and its competitiveness in the world, speeds up the processes of its integration to the world economy, ensures the transition from the agricultural and industrial economy to the development of the economy based on services.

The state program of tourism shadowing reduction has to include the creation of conditions for the legalization of shadow structures, reduction of tax pressure, protection of interests of businessmen, promotion of business activities, taking strict administrative and punitive measures, elimination of state-owned corrupted structures on all the levels of authority. The main priorities of the state resort and tourism policy are as follows: the creation of optimal legal regulations of tourism and resort development in Ukraine along with their infrastructure; ensuring state promotion of the foreign and domestic tourism development in Ukraine; making the national

tourism product competitive on the world market.

The opportunities of future researches in this direction consist in a more structured and detailed description of each of the measures proposed, the development of consecutive operations, which would accumulate the activities of the authorities and of the citizens in our country. The aspects of the implementation of deshadowing and legalization of capital earned from the illegal tourism activities in Ukraine require further study as well.

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Негода Г. А.

Управління процесом детінізації відносин у туристичному бізнесі

В статті проведено системний аналіз основних причин існування тіньових процесів (відсутність повноцінного ринкового середовища, важкість податкового навантаження, наявність недостатньо контрольованого кордону, поширення прихованої зайнятості, структурні диспропорції), що стримують розвиток туризму в Україні в останні роки, розкрито можливі шляхи детінізації відносин у туристичному бізнесі. Основними пріоритетами державної курортної політики в галузі туризму є: створення оптимальних правових норм туризму і курортного розвитку в Україні разом з їх інфраструктурою, забезпечення державного стимулювання розвитку зовнішнього та внутрішнього туризму в Україні, що робить національний продукт туризму конкурентоспроможними на світовому ринку.

Ключові слова: тіньова економія, прихована зайнятість, детінізація, туристична галузь, стратегія розвитку туризму.

Негода А. А.

Управление детенизации отношений в туристическом бизнесе

В статье проведен системный анализ основных причин существования теневых процессов (отсутствие полноценной рыночной среды, тяжесть налоговой нагрузки, наличие недостаточно контролируемого границы, распространение скрытой занятости, структурные диспропорции), которые сдерживают развитие туризма в Украине в последние годы, раскрыто возможные пути детенизации отношений в туристическом бизнесе. Основными приоритетами государственной курортной политики в области туризма являются: создание оптимальных правовых норм туризма и курортного развития в Украине вместе с их инфраструктурой, обеспечение государственного стимулирования развития внешнего и внутреннего туризма в Украине, что делает национальный продукт туризма конкурентоспособными на мировом рынке.

Ключевые слова: теневая экономия, скрытая занятость, детенизация, туристическая отрасль, стратегия развития туризма.

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*Стаття подана
17.12.2013 р.*

