

**Research Article**

## **Organizational and Economic Leverage of Exposure to Shadow Phenomena in the Agroindustrial Complex of the Region**

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### **ABSTRACT**

Agro-industrial complex in any state performs important functions related to the development of economy and society, and assurance of food security. The state of food and economic security are interrelated in this case. However, in the Russian Federation, as in many other countries, the agri-food complex depends entirely on state opportunities and financial support. Russia, is recently characterized by the instability of economy, and consequently, revenues from the state budget lose their stability and do not provide an opportunity to build strategic plans for development of the agro-industrial sector. The low efficiency of agro-industrial sector is a destabilizing factor contributing to the emergence of economic crimes, shadow processes and phenomena, generating corruption in the management structures of economic entities and governmental bodies. The state should implement a whole system of measures to combat these phenomena in the agro-industrial complex. Among such measures, a significant place should be occupied by the ones to assess the state of economic security, determine the economic efficiency of public investments in the agro-industrial complex, and control their development with the help of experts in relevant branches of agriculture and in the whole agro-industrial complex. This approach will strengthen the state of economic security and improve economic efficiency of agrarian economic entities.

**Keywords:** Economic security; Agro-industrial complex; Shadow processes; Economic crimes; Government measures.

### **INTRODUCTION**

At first glance, the shadow economy is a completely legal term and is poorly studied in the economy. However, it gained particular popularity in Russia during the transition period.

A number of scientists believed that the shadow economy is represented by certain processes and phenomena that violate various ethical norms and rules, in particular, if they are dictated by law [1; 2].

These illegal phenomena in the agro-industrial sector, country's agriculture and its subjects are of the greatest interest in this study. However,

the shadow economy is present in many sectors of the economy.

Nowadays, the agro-industrial complex is characterized by its connection to the state system, and has been quite deformed since the planned economy has been implemented [3].

In order to present the main features of agriculture, causing various kinds of illegal actions, the following cases can be mentioned:

- Low orientation of industries to final consumer demand;

- Deforming the price structure of the products in the agrarian complex in comparison with other sectors, e.g., industry;
- Weak technical and technological development;
- High dependence on public investment;
- Low quality and weak competitiveness in manufactured agricultural products;
- Lack of control over the effectiveness of budget appropriations;
- The unsatisfactory system of internal management;
- Almost complete lack of investment attractiveness in agriculture.

Meanwhile, there are reserves for agricultural production in the country, but only units of economic entities can effectively use them. Unfortunately, it is believed that the current system of agri-food policy itself does not allow to achieve high results of efficiency and competitiveness, which depend on the rationalization of the use of natural resources, the development of science and technology, expanding the boundaries of production, the supply of agricultural raw materials and food inside and outside the country, etc.[4].

The agri-food policy of the state is directed not only to the development of agro-industrial production, but also to the socio-economic development in the country [3].

It is known that agriculture is not very attractive for investors and, on the whole, is considered as a low-income sector of the economy. Few people would like to invest in this sector with a long payback period, and in some cases without payback. However, at the same time, agriculture serves as a basis in shaping the food security of the state.

As a result of the efficiency of the functioning and development of agriculture affects, food security not only supports the national security of the state, but also has the global importance. Thus, this connection between the interests of the state and society as a whole contributes to the development of the shadow economy at the source. The principles of economics dictate the following: the expansion of the scale of one economic process contributes to the oppression

of the development of another. This principle rightly reflects the phenomena of the shadow economy in agriculture, which inhibit its further development and effectively use of state financial resources.

According to A. Tufetulova and SabirovovAI, the shadow economy has wide distribution in agriculture, and contributes to the formation of completely free parallels throughout the country's agro-industrial complex [5].

Such relations "in the shadow" entail changes in the market structure, which is caused by the deformation in the mechanism of market relations and the presence of unfair competitiveness [6].

According to the data of the Main Directorate of Legal Statistics and Information Technologies of the General Prosecutor's Office of the Russian Federation, over 105 thousand cases of economic crimes were detected in the country in 2017, 8654 crimes of which are taxable and almost 30,000 crimes are in all sectors of the economy. If you rely on the data of the crime structure happening at the same period, it should be noted that 10.8% is fraud, 38.3% is theft, 0.8% is misappropriation or embezzlement [7].

According to Rosstat, over the past five years, about 20% of the country's total GDP are as result of the shadow economy, and the level of shadow phenomena in the agro-industrial complex reaches 70% of the total value of all productions [8].

In agriculture, the shadow economic phenomena are often represented by the corruption component, the embezzlement of public funds and other fraudulent activities. As a rule, such crimes are committed by a group of individuals, but the identification of such crimes is rather difficult, and often impossible.

In general, the development of economic crime, in particular, the shadow processes and phenomena, is also influenced by some organizational and economic directions for improving the function of agriculture. For example, N. Ageeva suggests that the government's policy of import substitution can lead to completely unexpected and negative

shadowing processes in the agro-industrial complex and in most parts of agriculture [9].

This viewpoint needs support, since the *tenizatsiya* in the agro-industrial complex, as we have already noted, is formed earlier on the basis of government injections to support the agricultural sector.

The main task of the Criminal Law in accordance with Article 2 of the Criminal Code of the Russian Federation is to protect the rights and freedoms of a person and citizen, property, public order and public safety, the environment, the constitutional system of the Russian Federation from criminal encroachment, assurance of peace and human security, and prevention of crime. The process of importing substitution implies an increase in quantitative and qualitative indicators of domestic producers. Therefore, it can be concluded that with an increase in the number of AIC subjects, the number of subjects of crimes in the economic sphere will also directly increase. Over the past five years, only in the agriculture sector, the units of economic security and anti-corruption of the Ministry of Internal Affairs of Russia revealed over 40 thousand crimes, and the amount of damage was about 27 billion rubles.

The shadow economy in agriculture is due to several reasons:

- Firstly, the lack of proper control by state bodies for the expenditure of budget allocations, on which all economic relations of the industry are dependent;
- Secondly, the illegal relations of civil servants (representatives of agricultural departments and the sectorial ministry in the region) with agricultural entities that provoke corruption ties.

It is almost impossible to quantify the shadow economic phenomena in agriculture. In this case, the only tool that will allow to identify the facts of economic offenses are budget funds aimed at subsidizing agricultural production. This is the implementation of proper control over their provision, monitoring of agricultural holdings that need state support, and their resource capabilities to be effective, as well as

the results of their effective use. All of these are the basis for preventing a number of shadow processes in the economy of agriculture.

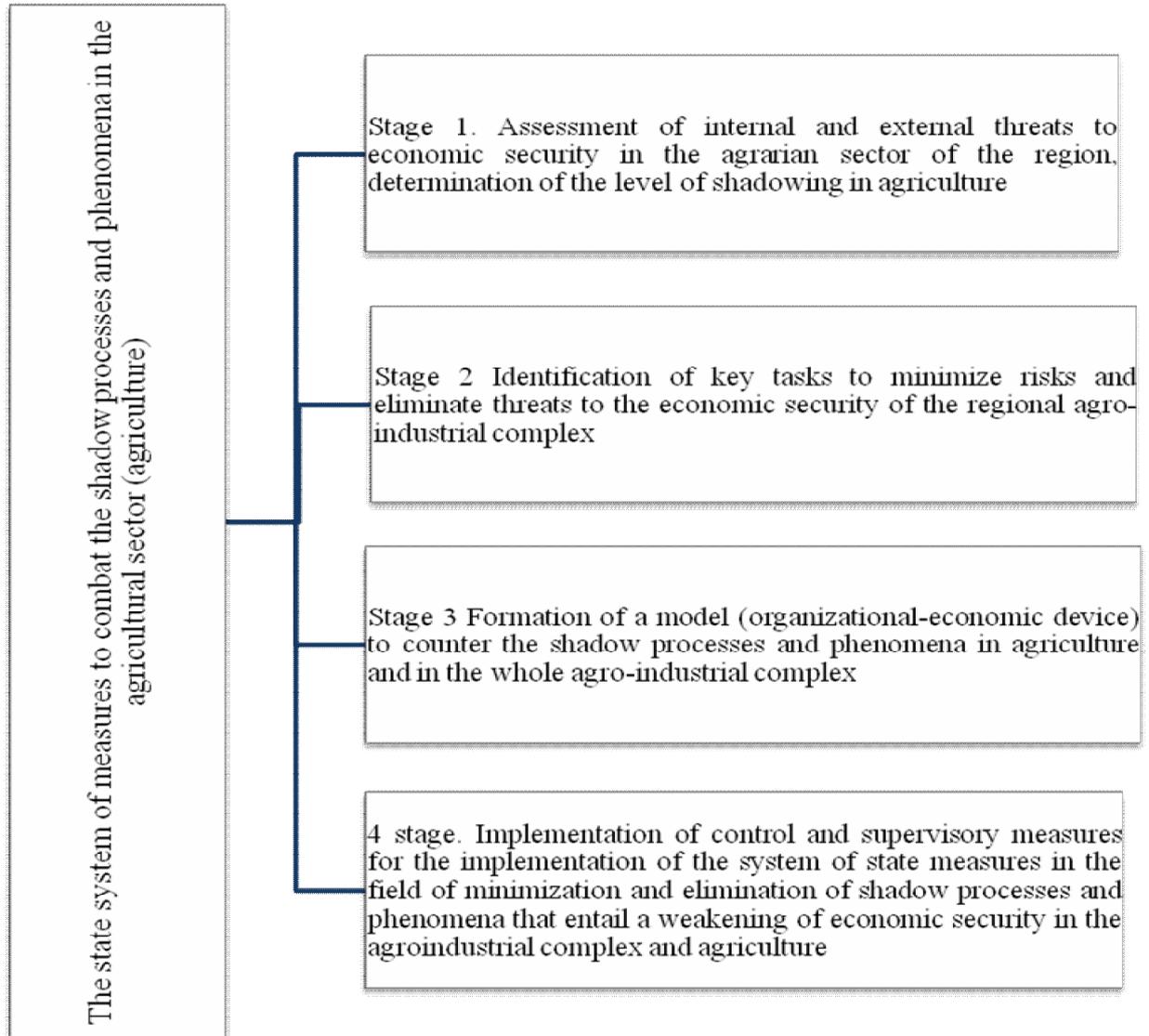
The main goal of the state to combat shadow processes in the agro-industrial complex of the region and at all levels in Russia is to develop an effective system that will provide wide participation opportunities for all stakeholders including all levels of government, law enforcement, public and political organizations. Government influence on shadow processes and phenomena occurring in the agro-industrial complex and, in particular, in agriculture should be an integral part of long-term state policy. At the same time, government measures to combat *tenizatsiya* in the agro-industrial complex should be aimed at the entire structure of the economy, as they are directly related to the processes of production, distribution, redistribution and consumption. All these processes form the gross regional, and then the gross domestic product of the country, on which the level of support for agricultural production depends. Consequently, the first thing to do is to carry out a well-coordinated systemic work with regard to monitoring the development and efficiency of public investments in agriculture, the agrarian and industrial complex as a whole. According to the author, the system of state measures should be built in several stages (Fig. 1).

In the framework of the first stage, attention should be paid to the following tasks:

- Firstly, it is the establishment of threshold values for the main indicators characterizing the economic security of the regional agro-industrial complex;
- Secondly, these are measures to identify negative deviations of the indicators of economic security in the agro-industrial complex in the region from the threshold values established earlier, as well as to identify the causes of their occurrence;
- Thirdly, timely monitoring of economic security in the agricultural sector;
- Fourth, determining the degree of development and the level of efficiency of public investment in the field of agriculture.

With regard to the above mentioned tasks at the first stage of state measures to combat shadow processes and phenomena, it should be noted that one of the key tools for identifying destabilizing economic security factors in the regional agro-industrial complex and the development of shadow processes and phenomena is the timely assessment of the

effectiveness of public funds invested in the agro-industrial complex. It is recommended to use well-known assessment methods. First and foremost, econometric and expert methods will contribute to effective monitoring of public investment.



**Figure 1.** The state system of measures to combat shadow processes and phenomena in the agro-industrial complex (agriculture)

Also, it is recommended to use the following key indicators that are private, and characterize the economic security of business entities including the profitability ratio of the main activity, current liquidity ratio, equity ratio, and the level of labor productivity.

The research carried out by K. Bisultanov provides an opportunity to determine the

integral indicator for assessing the level of economic security for enterprises and the region as a whole. At the same time, to determine further tactical and strategic measures, it is recommended to use the rating scale characterizing the state of economic security in the agro-industrial complex:

- Perspective level - more than 0.9 units;
- High level - 0.76 - 0.9 units;

- The normal level is 0.63 - 0.75 units;
- Satisfactory level - 0.5 - 0, 62 units;
- Critical level - less than 0.5 units. [10]

Within the framework of the second stage, two main directions should be implemented:

- The development of a regulatory framework for ensuring economic security in the agricultural sector of the economy;
- The development and implementation of targeted measures to counter the development of shadow processes and phenomena, and in general economic crimes in the regional agro-industrial complex.

The third stage should be implemented from the standpoint of improving the organizational, economic and managerial structure in all areas of the agro-industrial complex of the region.

The final stage of the recommended system of state measures to combat shadowing has focused on the activities of the control and supervisory authorities, forming a coherent systemic work.

The performers of these events are meant:

- 1) Registration authorities;
- 2) Sectorial ministries and departments;
- 3) Local governments
- 4) Judicial authorities;
- 5) Supervisory authorities;
- 6) Licensing authorities
- 7) Law enforcement bodies (services of the Ministry of Internal Affairs);
- 8) Fiscal bodies: management by definition of insolvency of economic entities, currency and export control authorities, the antimonopoly service, the tax inspectorate, etc.
- 9) Other bodies (extra-budgetary funds, customs authorities, employment services, control and accounting chamber, etc.).

All four stages in the presented system of measures should act consistently, systematically and in constant interaction of all the performers. At each stage of the implementation of the proposed measures, it should be borne in mind that shadow economic activities that are present in the interests of entrepreneurs are the source of corruption in government structures, and the result of its progressive state is social and economic tensions, leading to the lack of trust and tension.

The modern agro-industrial complex is currently experiencing massive difficulties, among of which are problems with resources, including personnel and material, as well as financial difficulties that accompany virtually all industrial and economic activities, especially when it comes to agricultural production. These problems underlie the development of the shadow economy, which further destabilizes the security of this economic complex.

In order to realize the intended goals for counteracting economic crime and shadow processes and phenomena in the sphere of the agro-industrial complex, it is recommended to implement the proposed system of government measures to improve the organizational and managerial structure in this sector of the economy and increase the economic efficiency of business entities. It is also possible to assume that the results of such work will contribute to the solution of many socio-economic problems of rural areas.

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