

MECHANISMS OF ACCOUNTING THE INFORMAL SECTOR IN ECONOMIC DEVELOPMENT

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Abstract: *this article provides information on informal sector accounting and their working mechanisms in foreign countries.*

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As the institutions/enterprises within each institutional sector employ, have fixed capital expenditure (Government Final Consumption Expenditure-GFCF) and have reserves, in addition to collecting data on these three elements, output and income levels are added at the industry/sector level. By calculating the value, you can collect the necessary information for preparation. It provides an overall economy-wide estimate of gross domestic product (GDP) spending based on GFCF and inventory change data, aggregated across all institutions/sectors, supplemented by housing expenditures. GDP expenditures are based on data from sources other than those used for the gross output and income approach. At the same time, the conceptual consistency between the three different approaches to measuring GDP provides a basis for checking the accuracy of data from different sources (supply-use tables and the commodity-flow approach). Thus, using a tabular approach on the production side helps to make adjustments to the relevant parts (and products) of costs on the production side.

N1 - deliberately unregistered - clandestine producers, N1 refers to the production of producers who are not registered because they are involved in clandestine activities. Type N1 does not include producers engaged in illegal activities (they are recorded under N2) or does not appear in all the hideouts associated with some types of N6. Usually, type N1 includes small business producers whose turnover exceeds the above values (considered as a source for registration with tax authorities or other registration authorities), but not registered in order to avoid tax and social security obligations.

The methods for identifying and correcting N1 are as follows:

- labor force input method (as a result of household surveys, for example, labor force survey or population census);

other supply-based methods: these are related to data on raw materials (primary raw materials, labor, land, fixed capital, etc.) used in the production of goods and services. Standard input/output and input/value added ratios are used to calculate output and value added on input data;

income-based approach: it is based on data from administrative sources in certain categories of income that can be used to obtain production indicators covered by the administrative system (income tax, social insurance contributions, paid by the self-employed or private entrepreneurs, etc.)

;

demand-based methods: in particular, the use of household budget survey data. In this method, the production of a particular product is based on the consumption of that product, with an appropriate adjustment for inter-sectoral consumption and other final purposes. It is aimed at evaluating

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production using indicator data on the specific use of goods and services that adequately describe production (household consumption expenditures of household goods such as health care and personal services; use of raw materials such as processing of agricultural products; export goods;) indicating demand for products; data.

In the commodity flow method, available information on the supply side or use side of a particular product is used to make up the missing components on the supply or use side, so that the total supply of the product is equal to the total consumption of the same product.

Supply and use tables present the product balances of all goods and services of the economy in a holistic way, so that balancing is carried out not only at the individual product level, but also across all products simultaneously. When the commodity flow approach or product balance is applied at the individual product level, the system under test (SOT) combines the product balances of all individual products (or groups of products) within a matrix to provide a clear picture of the supply and use of both individual products.

N2 - producers deliberately do not register - is illegal, it refers to the activities of producers engaged in illegal activities, which avoid registration altogether. At the same time, N2 does not include production that reports the activity of manufacturers under legal activity codes, since the reported product is included in the GDP calculations. Therefore, N2 is only a part of illegal production, which is not otherwise disclosed by manufacturers under the guise of legal production.

The methods that can be used to calculate the adjustment are the cost method, unit expert opinion for each input or use. The methods given in paragraph N1 can also be used to account for this type of producer. Although not exclusive, persons engaged in illegal activities may report those employed in related economic activities in a labor force check, such as a smuggler may report employment in the trade department in a labor force check.

A general approach to estimating N2 is to treat each type of illegal activity (prostitution, selling stolen goods, drug trafficking, smuggling, gambling, etc.) separately and first calculate its total output. In this case, the portion reported as legitimate activity to obtain an estimate for N2 is taken as follows:

- creating an estimate of all illegal activities of this type;
- creating an assessment of this type of illegal activity that can be reported under the guise of legal activity;
- get the second estimate from the first and write the result in N2 type.

However, in practice it may not be easy to identify the results of reported illegal activities during legal activities. If no corrections are made, product duplication will follow. Therefore, it is necessary to carefully study the information given, with special studies conducted in the past and the opinions of experts.

N3 - producers who are not required to register include: (a) non-market producers of households involved in the production of goods for their final consumption (production related to paid household services) and the formation of personal capital; (b) construction of residences, extension of residences and major repairs; and (v) unregistered households with a very small market size.

- (a) unregistered producers for illegal activities - type N2;
- (b) manufacturers not required to register, type N3 manufacturers who generally produce goods and services for their own consumption;

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(c) registered and non-reporting producers - type N6; and

(d) manufacturers who are registered and report activities under the title of legal activity - such activities do not contribute to any incomplete types because they are reported and therefore included in GDP calculations, although they may be classified by industry.

If an agricultural product is produced by increasing the quantity and price of the product produced (which is usually the case in developing countries), it is not necessary to make an N3 adjustment for the production of agricultural products by households, even if such products are already included in the total composition. On the other hand, productive non-agricultural activities of households (including secondary activities) should be included in types N3 or N7, respectively:

- at N3 for unregistered home producers;

- for home producers registered in N7 and included in the producer survey or administrative collection, but for whom information on secondary activity was not obtained.

Housing cost studies, building permits, commodity flow methods, administrative data, and time use studies can be used to calculate N3 type adjustments (especially for non-market manufacturers).

N4 - unrequested legal entities - may be a producing legal entity and therefore registered in an administrative source accessible to the statistical office, but for some reason was not included in the business register maintained by the statistical office, or it was recently registered, or there was a defect in the procedure for updating the register.

N5 - the entrepreneur may be registered as an administrative source, but the statistics may not be included in the business register or the scope of business used for the verification of enterprises, because:

- entrepreneurs of this type are regularly excluded:

- the entrepreneur was recently registered or there was a defect in the procedure for updating the register.

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