

## **SIGNS AND CONSEQUENCES OF THE FICTITIOUSNESS OF ENTREPRENEURIAL ACTIVITY IN THE AGRARIAN SPHERE**

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**Abstract.** The article discusses the concepts, the characteristics and consequences of entrepreneurship in the agricultural sector of the economy of Ukraine. The article analyzed the views of scientists on the essence of entrepreneurship as an institution to ensure the innovative development of the agricultural sector of the economy. The factors of negative impact on the development of entrepreneurship in the agricultural sector, for example, the lack of cash savings of workers in the agricultural sector - potential entrepreneurs; proper legal protection and certain legal guarantees of entrepreneurs regarding property, property management, receiving and distribution of income. It was showed the ways to improve the efficiency of business in the agrarian sector.

**Keywords:** fictitiousness, entrepreneurship in the agrarian sector, government regulation, financial and credit support, taxation, the agricultural sector of Ukraine

## **AQRAR SAHƏDƏ SAHIBKARLIQ FƏALİYYƏTİNDƏ SAXTAKARLIĞIN ƏLAMƏTLƏRİ VƏ NƏTİCƏLƏRİ**

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**Annotasiya.** Məqalədə Ukrayna iqtisadiyyatının aqrar sferasında sahibkarlıq anlayışı, onun xüsusiyyətləri və nəticələri müzakirə edilir. Alimlərin sahibkarlığın, iqtisadiyyatın aqrar sektorünün innovativ inkişafını təmin edən bir qurum kimi mahiyyətinə olan baxışları təhlil edilmişdir. Aqrar sferada sahibkarlığın inkişafına mənfi təsir edən amillər, o cümlədən, bu sahədə çalışan işçilərin pul vəsaitlərinin olmaması-potensial sahibkarlar; mülkiyyət məsələlərində sahibkarların müvafiq hüquqi cəhətdən qorunması və müəyyən hüquqi təminatlarının olmaması, əmlakla bağlı qərar verilməsi, gəlirlərin əldə olunması və bölüşdürülməsi müəyyənləşdirilmişdir. Aqrar sahədə sahibkarlığın səmərəliliyinin artırılması yolları təklif olunmuşdur.

**Açar sözlər:** saxtakarlıq, aqrar sferada sahibkarlıq, dövlət tənzimlənməsi, maliyyə-kredit təminatı, vergitutma, Ukraynanın aqrar sektoru

Formulation of the problem. In post-crisis economic recovery, enterprise managers in the agrarian sector consider revenue as an important object of management and the adoption of strategic and tactical decisions, which requires the development of a holistic management system and mechanisms for its implementation [1, p.145]. Despite this, there is a record number of companies that minimize their tax liability by hiding their actual income. The main feature of fictitiousness is the lack of persons engaged in fictitious business with the real intention to engage in entrepreneurial activity, fixed in the constituent documents and related to the production of goods, the execution of works or the provision of services and the use of business entities to cover illegal activities or the implementation of species activities for which there is a ban [2].

Fictitious companies usually have a neutral name, which in no way indicates the scope of activities, the composition of the participants, territorial affiliation. Some business entities prefer to

maintain their own (or joint with other participants) base of real and potential counterparties in order to minimize the risks of "fictitious". It should be noted that for fictitious business is characterized by hidden economic activity, which is difficult to detect law enforcement agencies by traditional methods. The Ministry of Economy recognizes that in Ukraine about 40% of GDP is produced in a deep shadow. Foreign experts are even more brave: the share of Ukraine's shadow economy reaches 50-60%. With such indicators it is simply not possible to eliminate either cash transfers or false GDP. You can try to reduce their penetration; you can change the forms and methods, but not eliminate them.

Analysis of recent research and publications. Considering the importance and urgency of the problem of fictitious business activity, numerous works of domestic and foreign scientists are devoted: V. Bilyos, V. Vazhinsky, V. Veresov, L. Dudnik, O. Dudorov, I. Krynitsky, V. Lysenko, V. Navrocky, Y. Opalinsky, V. Petrosyan, V. Popovich, E. Solovyov, Z. Trostiuk, M. Khavoronyuk, A. Chubenko. The analysis of scientific sources, tax practices and regulatory acts shows that the fiscal service has a huge resource. In theory, he must be left behind for complete control over all the reporting data he passes on business. With the help of commercial methods, database analysis it is possible and necessary to identify real optimizers of fictitious activity.

Formulating the goals of the article. The purpose of the article is to identify the signs and consequences of the fictitiousness of entrepreneurial activity in the agrarian sector. Presenting main material. The effectiveness of political, economic, social and environmental processes in the world in terms of human interests depends on resolving the global food crisis and ensuring food security at the national level. From this point of view, the role of the agrarian sector is indisputable. It is particularly necessary to assess the possibilities of enhancing the role of entrepreneurship, which is the engine of economic activity, in the implementation of the economic priorities of this vital sector of the economy [5, p. 3-4].

Entrepreneurship in the agrarian sector is a complex and multifaceted phenomenon that takes on various forms. This diversity allows you to organize business activities by a specific person in a specific territory in such a way as to make the best use of the resource base and maximize the benefits. At present, with the development of agrarian business, the state relates structural changes in the countryside, ensuring the implementation of reforms in the economy and solving the social problems of the Ukrainian village. The development of entrepreneurship is a way to saturate the market with goods and services, overcoming sectoral and regional monopolies, expanding competition, introducing scientific and technological progress and increasing export potential.

Each theory treats the notion of «enterprise» from various aspects. However, in every interpretation there is the idea that each enterprise must of course consist of capital, labor resources, material and technical base, and have a well-formed goal, which, above all, should be to obtain maximum profit. For example, M. Malik distinguishes entrepreneurship as an institution providing innovative development of the agrarian sector of the economy, which serves as a means of structural adjustment, the stimulus of transformational changes through the institutionalization of economic relations to market conditions. However, the Institute of Agrarian Entrepreneurship has not yet become economically responsible, and the excess of economic power provides opportunities for diktat regarding the conditions for the formation of relations, which are mainly related to the redistribution of rent not in favor of the peasant owner [4].

In turn, the legalization of the proceeds of crime, with the help of fictitious enterprises in the agrarian sector, implies:

1. documentation of expenses of inventories that were actually sold for cash;
2. legalization of funds that are in the «shadow» turnover, with the purpose of carrying out official investments, acquisitions of real estate, securities, etc.;
3. documentary depreciation of expenses in order to reduce officially received cumulative income and reduce tax liabilities;
4. the use of multilevel schemes of commodity-cash flows, in which there is a fictitious firm between the real economic entities, through which the movement of inventories and cash flows is

directed, in order to adjust the value of inventories at the stage of their passage through a fictitious enterprise of enterprises in the agrarian sector [11, p. 172].

If we generalize approaches to the disclosure of fictitious enterprises, including in the agrarian sector, then we must begin by collecting information from public registers:

- registration data in the USREOU;
- tax data;
- court cases (including with the participation of tax authorities);
- executive proceedings;
- check the validity periods of the licenses necessary for the activities of the counterparty;
- check the statutory documents.

Often, the organizational and legal form of fictitious enterprises in the agrarian sector is, as a rule, PP, LLC, sometimes a farm. It is worth paying attention to the company's long history of existence and the frequency of change of founders and management. Such companies are characterized by a short life span. The deficit of the State Budget of Ukraine requires a significant increase in the fiscal efficiency of GDP. In recent years, the situation on GDP refund has improved, so in 2018, the amount of reimbursement to the value added tax payers in 2018 is 131, 7 billion hryvnia, which is 9.6%, or 11.6 billion UAH more than the indicator in 2017. The average GDP reimbursement amount for the period increased to 11 billion UAH, which is 10%, or 1 billion UAH more than in 2017. Only in December 2018 taxpayers received 10.1 billion UAH for GDP refunds [6]. GDP refunds are automatic and transparent, which at first glance does not provide any opportunities for manipulating this process. But, there was a very elegant and simple scheme of blocking GDP invoices. Formally, GDP is refunded automatically, in fact, it happens only with those non-blocked invoices.

In order to unblock GDP invoice to a businessman, you should contact the DFS with explanations why the lock is a mistake. In this place, there is a corrupt component. Even on the Internet, you can find advertising services to unblock GDP invoices for 5% of the company's turnover. World experience shows that the GDP system, built on the basis of GDP, ensures high stability of budget revenues and its insignificant dependence on the nature of the economic situation. This type of tax makes up a stable and broad base of budget formation, any slight increase in its rates significantly increases revenues to the budget. GDP has such qualities as universality and absolute objectivity; it practically does not affect the relative competitive positions of the sectors of the economy.

The fiscal service of Ukraine has a tremendous resource. In theory, he must be left behind for complete control over all the reporting data he passes on business. With the help of office methods, database analysis it is possible and necessary to identify real optimizers and outlaws. Security of banking operations as such is no less interesting as it touches on the essence of the banking business and is directly related to the security of the bank and its staff. Of particular interest here is not so much the motives of personnel behavior in the performance of their official duties, but the technology of professional violations and the use of the current order and rules, defects and violations of the bank in the personal interests of the bank staff or its owners, as well as in the interests of competing banks and organizations .

In the part of banks, a significant point was the increased responsibility of banks for not identifying the real owners of clients or carrying out operations of clients in which owners have signs of «nominal». Enhanced claims to owners also apply to counteragents of clients for foreign economic activity, as specified in the resolution cases. The financiers were obliged to identify the risky or fake operations of clients, and, if necessary, to stop them. The reason for close attention from the bank can now be anything. In addition to documents, the bank should analyze information in the mass media (often false), in public sources, both in relation to the client and his counterparties, and then form their conclusions. Similar conclusions are subjective and possible cases when they may not coincide with the conclusions of other banks (that is, you can lose the client), the regulator.

Financiers can not list all the cases in which they begin to inspect the company and all its operations. The provision of additional documents by a client of the bank is determined individually, depending on the available study information for each financial transaction. Opportunity raises all the information not only about the company being tested, but also about its parent companies and partners. Basically, this information relates to documents in trust declarations, end beneficiaries, financial transaction participants, and others. Bankers in connection with the strengthening of financial monitoring are most interested in two points:

1. the deterioration of relations with customers, which they have already begun to translate requests for additional information and leave without service (when they stop operations);
2. their own security - the threat of losing a license for risk activities at the slightest miscalculation.

Financiers admit that they will not always be able to analyze all data without exception. Most often in their hands there will be only the information minimum provided by the clients themselves, who, for the provision of false information, do not actually bear any responsibility, as well as public officials of the public body, who enter the data in a public register, guided solely by the documents provided. At the same time, Ukrainian bankers recognize rising costs due to new requirements and instructions from the NBU. In their structures, it's time to open the entire units of financial investigators. The bank's expenses on raising the competence of the staff, processing of heterogeneous public information in order to form a reasonable suspicion of the riskiness of financial transactions, increased the labor costs for the study of clients and their counterparts to minimize the risks of the bank. At the same time, banks have a high risk of losing proven customers. In our opinion, the state should form new economic conditions for doing business, which will promote environmental modernization and attracting investments in environmentally-oriented areas, in particular in the agrarian sphere [3].

In accordance with Article 60 of the Law of Ukraine «On Banks and Banking Activities», information on the activities and financial position of a client that became known to the bank in the course of client servicing is a bank secrecy [8]. Correspondingly, the objects of banking secrecy include parameters of bank accounts and transactions on them. At the same time, each of the bank's employees signs an agreement on banking secrecy. However, there is a list of situations where the bank secrecy can be disclosed on the basis of court decisions, as well as the relevant authorities at their written request. In particular, among the government bodies that have the right to request information in writing about a bank account, are the following (Article 62 of the Law of Ukraine «On Banks and Banking»):

- the Ministry of Internal Affairs of Ukraine, the Security Service of Ukraine, the Antimonopoly Committee (with regard to operations on accounts of a particular legal or physical person);
- Bodies of the State Tax Service and the Prosecutor's Office of Ukraine (regarding the availability of bank accounts);
- State Commission for Regulation of Financial Services Markets of Ukraine;
- The State Financial Monitoring Service of Ukraine [8].

Among the documents which the bank is obliged to provide at the request of the specially authorized bodies are «copies of primary documents, on the basis of which transactions were carried out, information about their participants, as well as other information, including those that constitute banking or commercial secrets». At the same time, each bank is prohibited from providing information about clients of other banks, even if their names are mentioned in documents, transactions and transactions. In addition, "financial monitoring is subdivided into:

- mandatory (criteria are clearly defined by law);
- and internal, which consists in an independent assessment by the subject of initial financial monitoring (including banks) of the risk criteria and the suspicion of the transaction.

Regarding compulsory financial monitoring, according to Articles 14 and 15 of the Law of Ukraine No. 2258-VI of 18.05.2010, «On Amendments to the Law» On Counteraction to Legalization (Laundering) of Profits Gained by Crime [8], to him are subject to an operation for the enrollment of cash in the amount of 150 000 UAH or more, or equivalent in foreign currency (for

businesses operating gambling - 13 000 UAH) and has one or more of the features indicating risk operations (listed in Article 15 of the Law). Transactions for cash enrollment amounting to 150 000 UAH and more are subject to mandatory financial monitoring if their subsequent transfer is made on the same or next business day to another person. Thus, only in aggregate at least two conditions (enrollment and further transfer of funds to another person) such transactions will be subject to mandatory financial monitoring.

As far as individual entrepreneurs are concerned, obligatory financial monitoring by banks is subject to the accounts of organizations that carry out their activities no more than three months from the date of registration, while carrying out remittances in the amount of more than 150 000 UAH. Other (non-bank) entities of initial financial monitoring are obliged to track operations that have the following characteristics:

- notarized certificates of contracts of sale of real estate - provided that the amount of such transaction equals or exceeds 400 000 UAH in any currency;
- transactions for the settlement of external economic contracts - if the terms of the contract (contract) stipulate that the provision of services, as well as the supply of goods, works carried out outside the customs territory of Ukraine;
- operations for the receipt, payment or transfer of insurance (reinsurance) payment (insurance premium, insurance premium) - if they are spent on an amount equal to or exceeding 150 000 UAH in any currency;
- lottery winnings, the purchase of chips, tokens - if the amount for which it is made is equal to or exceeds 13 000 UAH in any currency.

Such changes corresponded to the estimated equivalent amounts of financial monitoring as of 2010. New Law of Ukraine «On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime, or Financing of Terrorism» № 1702-VII on 14.10.2014 [10] did not change the basic amount of compulsory financial monitoring (UAH 150 000), however, the amount of mandatory financial monitoring for gambling entities has changed - it has changed from UAH 13 000 to 30 000 UAH. At the same time, if the amount of mandatory financial monitoring was set at 150 000 UAH for business entities conducting lotteries, then this amount is currently 30 000 UAH. This is one of the short stories of the said Law.

In general, the risk assessment of an operation is identified by the set of criteria, such as: the type of client, the geographical location of the country of registration of the client or the institution through which he transmits (receives) assets, and the type of goods and services. Special attention is paid to banks in cases where money laundering is carried out by the «placement» procedure. One of the methods of «placement» is the structuring of funds - that is, the artificial fragmentation of financial transactions into several units using both the splitting of amounts and the use of several accounts.

It should be noted that the main preconditions for economic crime in Ukraine should be considered imperfection of the legislation regulating economic activity, high level of corruption, bonded conditions of payment of taxes, control of corrupt persons of the main national economic branches, low professional level of law enforcement officials in revealing, documenting, investigating and preventing these crimes [7]. As far as banking institutions are concerned, their interest in opening accounts of fictitious companies is due to the fact that transactions for the withdrawal of money from customers' accounts are legal. As a result, banks can receive a significant remuneration, the size of which is directly proportional to the volume of operations on their accounts.

**Conclusions.** Thus, the public danger of fictitious entrepreneurship in the agrarian sector is to cause property damage to legal entities and individuals, as well as to the state, which is expressed in expanding the scope of unfair competition, illegal conversion of cashless cash, facilitating the legalization (laundering) of proceeds from crime, concealing the facts of occupation by prohibited types of activity, creating preconditions for tax evasion and for achieving other unlawful purposes. In particular, certain difficulties hinder the wide development of entrepreneurship in the agrarian

sector of Ukraine. Among them: the lack of sufficient cash savings (primary capital) for the workers of the agribusiness sector - potential entrepreneurs; small-scale production and service material and technical base; proper legal protection and certain legal guarantees of entrepreneurs on issues of property, disposal of property, receipt and distribution of income. Legislation, which promotes the development of entrepreneurship in the countryside, has already been adopted. However, legislation only declares the legal basis for the development of entrepreneurship, its growth into the economy. Equally important are the development of the principles of entrepreneurship, the definition of practical ways of its development and support from the state and society.

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