



Electronic Payments, The Antidote of the Hidden Economy

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Abstract: The hidden economy, known in everyday vocabulary as an undeclared, underground economy, etc., is a feature of today's world, with no global temporal and spatial limits, which has as its cause and purpose the avoidance of tax payments and / or the conduct of prohibited activities. Regardless of the forms in which it manifests itself, which are very diverse, complex and sometimes difficult to detect, it largely includes tax fraud, unregistered or partially registered work and criminal activities. Institutions interested in combating this phenomenon have adapted and intensified their activity to bring it to a controllable area so that in the end, as a long-term and difficult-to-achieve goal, it can be eradicated, if not completely, at least in a insignificant share compared to the real economy. As an equivalent of goods and services and a means of exchanging and procuring them, money, depending on the method of payment, creates the possibility for the actors involved to evade taxation, which why not recognize, in most cases is burdensome. It is proven that cash payments are favorable and conducive to the hidden economy, reducing or eliminating them by using electronic payments means a deep blow under the belt given to it, not only image, which can bring this type of economy in the controllable area as stated in beginning. This effort to generalize electronic payments has been somewhat helped by the international situation created by the Covid 19 pandemic, which in addition to serious problems has played an important role in raising awareness and awareness of the benefits of electronic payments and online commerce and implicitly taxing these transactions.

Keywords: undeclared; fraud; digitization; online; pandemic; electronic payments; card; taxation

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1. Introduction

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According to a study (2017) conducted by Mastercard, in ten Eastern European countries, including Romania, “eight out of ten Romanians believe that electronic payments can fight the underground economy, and four out of five Romanians want to pay more often with the card, as a solution to the fight against the gray economy”.

The classical methods identified for the realization of this desideratum have covered throughout history various variants, more or less applied or applicable, but which in time have shown their ineffectiveness, because the underground economy, following the principle of reaction, designed the right answer for minimize the effects of these methods.

As the world transforms, becoming more and more digital, implicitly the real economy in parallel with the underground one follows the same trend of implementing the most appropriate achievements in this field, with the same goal of adapting and developing, but each pursuing its purpose. in the two directions of application: online commerce and electronic payments.

On the 10th anniversary of the establishment and issuance of the Mobile Money Industry Report, the GSMA found that more than 1 trillion accounts were processed annually with such transactions (GSMA, n.d.).

2. Data Analysis. Theoretical Fundamentals

Electronic payments as a result of the digitalization of banking create an important benefit to the taxed economy by eliminating cash, because “cash is the most important ally of the underground economy” (2016).

There are rumors that the future of the monetary circuit of payments will be cashless, meaning a real financial revolution, offline payments and physical means of payment on paper, at least in the civilized world, being on the verge of extinction.

A blow to the bottom of this revolution was generated by the COVID 19 pandemic, which, by regulating the restrictions on physical presence and distance, imposed the application of electronic payments and receipts.

Digitization, imposed and accentuated by the health crisis, has led to public awareness of the beneficial effects of digital technologies to prevent virus transmission, digitization becoming a common practice in everyday life at least in the field of buying goods and implicitly making payments in the format electronic.

Naturally, the rapid advance of digitalization during this period has greatly influenced monetary policy, at the individual, micro or macroeconomic level.

Digital payment is possible through the use of fiat currency, scriptural, including electronic, through modern instruments such as card, electronic wallet, other payment documents but in electronic form (OP, BO, bill of exchange, CEC, etc.).

The question that can be asked is how does this digital applicability of payments affect the underground economy?

The answer can be relatively simple and understandable to everyone.

The first would be the elimination of cash payments, which is the easiest circuit of the underground economy, with cash representing the blood of this economy. As the name suggests, underground or hidden, it implies hidden paths, or cash payment cannot be identified, not being a sight payment but a pain payment.

The second most instructive answer would be that electronic payments, through a multitude of forms and means, can be tracked in real time, or almost in real time, by being able to act on them in the same way or by being able to track them in operational time. Eliminate or reduce the effects of illegal payments.

Classic electronic payments through the card offered a reduced ability to act in real time on its use, but it could also prohibit the continued use of the same card in non-compliant conditions.

By identifying the cashier's account, one can quickly analyze, on the basis of a national and international database, whether he is part of a well-known network of the hidden economy and of course the money.

Making payments through the 3 services offered by banks, namely ATM / ATM, e-banking and mobile banking, can be quickly located and identified the place and even the person who made the transaction.

An edifying answer is that of electronic payment statistics, which can be used to measure the number, amplitude, area and nature of payments, on this basis it is easier to analyze, quantify and account for the underground economy, the variables taken into account can be it is chosen and configured according to the result of this analysis.

Naturally, the digitalization of the monetary system of payments and receipts involves the digital transformation of the administration to connect to the analysis and monitoring of the underground economy in real time, so that effective measures can be taken in time to combat this type of economy.

As electronic payment services are provided by such service providers, the bank becomes a platform for the collaboration of these service providers. They in the decision, the payment mechanisms.

In this sense, like governments and government institutions, banks need to transform digitally, because the words of Goldman Sachs director - Vikram Antal are very topical "if we compare banks with companies like Google, it is clear that banks are still in the beginning of the digital and data revolution" (Torres, 2019).

As a flip side, this electronic payment mechanism also has possible disadvantages, which if not analyzed and counterbalanced can develop the underground economy at an unimaginable and uncontrollable level.

First of all, attention must be paid to the fact that digitization and electronic payments depend 100% on the Internet, and it is impossible to imagine how it works without it, because all payment and collection activities have been transferred to this virtual reality, still unknown beneath it.

A controversial advancement in digitalization, which can benefit the undeclared economy, has been the emergence of cryptocurrency as a virtual currency, as an alternative to electronic money used in centralized and digital banking systems, with decentralized cryptocurrency control. As early as 1999, Milton Friedman stated that the Internet would reduce the role of governments in the economy, as payments would be made without notifying third parties, with only the two parties involved knowing the details of the transaction. Currently, more than 2,000 virtual currencies are in circulation, many of which are publicly known and are encouraged in many cases by public figures, and the states and institutions concerned do not have a convergent attitude towards their regulation and possible control.

The emergence of decentralized, uncontrollable virtual currencies, to the detriment of electronic currencies in the centralized banking system, may be a lifeline for the underground economy, as person-to-person payments, independent of the regulatory system, governments, banks, etc., are missing in the control of the hidden economy and implicitly the taxation of transactions.

In this context, we must take into account the concept of Blockchain, which has become the way used to hide from public or government eyes, of transactions that are carried out quickly, securely and decentralized, which eliminates from the equation interested third parties (authorities), being absent central, with only the sender and the recipient.

3. Conclusions

In conclusion, electronic payments without a physical payment channel, via the Internet or mobile channels, mean the reduction of cash from the hidden economy, which is its blood, and thus the failure to feed the foci of germination and development of this type of economy.

The regulation and imposition of electronic payments has created a mass behavior and a proactive and constructive attitude of the population to eradicate this type of economy, those who opt for the old habits are significantly reduced.

Electronic payments implicitly electronic currencies require a digital transformation of cyber risk management, in order to increase resistance and protection against

them, taking into account the specifics of society, the state and its specific market, as it greatly influences the collective or individual mode of action. Manifests itself

In this context, Romania - taking into account the specific situation and in an international context, must regulate very well the future evolution of these payment services for the Romanian market based on the design of a plan to anticipate the trends of electronic banking services globally, over a period of at least 10 years.

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