

**Strategies for sustainable
socio-economic development
and mechanisms their
implementation in the global
dimension**

**Collective monograph edited by
M. Bezpartochnyi**

VUZF University of Finance, Business and
Entrepreneurship (Sofia, Bulgaria) 2019

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Strategies for sustainable socio-economic development and mechanisms their implementation in the global dimension: collective monograph / edited by M. Bezpartochnyi, in 3 Vol. // VUZF University of Finance, Business and Entrepreneurship. – Sofia: VUZF Publishing House “St. Grigorii Bogoslov”, 2019. – Vol. 2. – 367 p.

The authors of the book have come to the conclusion that it is necessary to effectively use modern approaches to developing and implementation strategies of sustainable socio-economic development in order to increase efficiency and competitiveness of economic entities. Basic research focuses on assessment of effectiveness the investment projects, use of cluster analysis the innovative activity of regions, formation and use of financial resources, competitiveness management and use of modern methods sale of the goods, effectiveness the activities of territorial communities. The research results have been implemented in the different models and strategies of project-oriented resource management, state management of development of territorial communities, implementation of the concept inclusive oriented economic development, efficient functioning and development of electric power enterprises, agricultural production, tourist industry, lifelong learning concepts. The results of the study can be used in decision-making at the level the economic entities in different areas of activity and organizational-legal forms of ownership, ministries and departments that promote of development the economic entities on the basis of models and strategies for sustainable socio-economic development. The results can also be used by students and young scientists in modern concepts and mechanisms for management of sustainable socio-economic development of economic entities in the condition of global economic transformations and challenges.

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ISBN 978-954-8590-64-8

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INTRODUCTION

Permanent changes in world market conditions, institutional and structural transformations of the national economy of the world countries require the development of strategies for sustainable socio-economic development through appropriate programs, plans and projects to improve, increase the efficiency and development of economic entities, introduce innovations and develop new products and services. Ensuring sustainable socio-economic development of economic entities is impossible without improving the relevant mechanisms of activity and practice of developing a management system.

To ensure sustainable socio-economic development of economic entities in modern conditions of activity the necessary basis is the effective formation and use of resource potential and the intensification of innovative processes. The effectiveness of sustainable socio-economic development of economic entities is determined by the ability of the management system to influence all business processes of the enterprise and coordinate its internal capabilities with environmental challenges in order to ensure competitiveness based on the developed strategies and their realization in the global dimension.

The purpose of writing this collective monograph is to substantiate the theoretical-methodological foundations and formulate strategies for the sustainable socio-economic development of economic entities in the global dimension taking into account transformational changes in the international economic environment.

The object of the author's research was the process of formation and realization of strategies for the sustainable socio-economic development of economic entities under resource constraints, the specifics and trends of the development of economic entities under the influence of global competitiveness factors, the generalization of world experience in implementing the respective development strategies.

The subject of research was the socio-economic and institutional processes of formation and effective implementation of strategies for sustainable development of economic entities; the formation of mechanisms for managing the resource potential of economic entities; the use of modern economic-mathematical models for the development of economic entities; increasing the innovative potential of the development of economic entities; consideration of the practical aspects of development management and introducing the innovation in various sectors of the economy.

Chapter 1

THEORETICAL FOUNDATIONS OF FORMATION AND IMPLEMENTATION THE STRATEGIES FOR SUSTAINABLE SOCIO-ECONOMIC DEVELOPMENT

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EFFICIENCY OF THE INVESTMENT PROJECT OF PRODUCTION OF ENVIRONMENTALLY PURE PRODUCTS

The development of environmental problems, the emergence of environmental crises and catastrophes, and the rise in global problems observed today need immediate resolution. Given the peculiarities of the post-Soviet approach to environmental management, departmental

approaches in Ukraine, many regions and natural assets are in crisis ecological and economic conditions. Eco-oriented investments are needed to improve the current situation and to move to a new level of economic system development. Improving the quality of the environment is a requirement of today. The quality and availability of investment in environmental projects depend on the standard of living of the population, the ability to conserve and develop the environment and the biosphere as a whole, the state of socioeconomic development of the country. That is why the issue of environmentally oriented investment projects is urgent.

A significant contribution to the study of problems of environmental investment and greening of investment activity has been made by Ukrainian scientists: Andreeva, S.K. Kharichkov [1, 2, 3], who developed a methodology for evaluating the effectiveness of investments aimed at ensuring the resource and environmental security, TG. Ben, V.S. Vereshchak [4], who proposed the criterion of choosing one of the alternatives: implementation of environmental measures or payment of payments for environmental pollution, B.V. Burkinsky [5], V.G. Kovalev, N.G. Kovalev [6], who in the calculation of economic efficiency indicators of environmentally oriented investments take into account the amount of eliminated and residual economic losses, as well as the additional economic result of secondary products, provision of environmental services and others.

The reason for applying the cluster approach in the context of this work is the absence of effective organizational and economic mechanisms of interaction between special protection enterprises, enterprises producing environmentally-oriented products, processing enterprises, trade companies, authorities and scientific organizations. Organic food businesses need new organizational and economic approaches that will help accelerate the development of the industry and its industries.

The purpose of this study is to substantiate the possibility of implementing a cluster model of development for realizing the investment and innovation potential of enterprises producing environmentally friendly products.

In modern conditions, the main condition for successful activity of the company with constant changes in market conditions is the expansion of the product range, search for new markets, improving the efficiency of using their own funds.

Given the competitive conditions of market price formation for

products, an enterprise will not be able to increase the mass of profits by raising the price of products sold (i.e. by increasing the profitability of sales). More logical to increase the efficiency of the enterprise will be to use another direction of the commercial and financial strategy, namely the growth of profits by increasing the sales volume of products with a possible alternative change in its range.

The economic impact of an eco-friendly project is much higher than the economic effect of a conventional product.

Comparing eco-friendly products with conventional products, it is found that demand for eco-friendly products is much higher. The greater the demand, the greater the amount of VAT on the sale of products. These amounts will be the market effect of the investment project. It is found that the market effect is greater from the implementation of environmentally-oriented investment project than from the implementation of the project for the production of conventional products.

The budget effect of an investment project is defined as the difference between budget revenues and expenditures on an investment project. In our case, the income is the only social contribution accrued on the wages of workers and corporate income tax. There are no budget expenditures on the investment project for the production of environmentally friendly products, as there was no budget financing for the project. In the implementation of the project for the production of conventional products, budget expenditures are also absent, and revenues will decrease somewhat, because the amount of income tax will be reduced and, accordingly, workers' wages will be reduced, since less manual labor is required to process genetically modified products.

The budgetary impact of an environmentally-friendly project is greater than that of a conventional production project.

There is also a concept of social effect from the investment project, which is expressed in improving the physical development of the population and reducing morbidity, increasing life expectancy and period of active activity, improving working and rest conditions, maintaining ecological balance (including conservation of genetic fund), preserving the aesthetic value of natural and anthropogenic values. Landscapes, natural monuments, protected areas and other territories, creating favorable conditions for the creative potential of the individual and the development of culture, for the completion of the ethical consciousness of man. At the enterprise level, the social effect can also be reflected in improving communal living conditions, reducing the cost

of manual labor, increasing the productivity of workers, and also in increasing the income per worker, which will eventually lead to an improvement in the quality of life.

Assessing the social impact of environmentally oriented investment projects is one of the most complex methodological problems in determining investment performance. After all, many manifestations of social effect cannot be or are difficult to measure (directly or indirectly), where we have to limit ourselves only to qualitative indicators, to use expert methods of assessment. For example, there is a big ethical problem in calculating the cost of a person's life. But social investment goals should serve as the main criteria for evaluating both environmental and any other investment project.

The social effect of an environmentally oriented investment project can be:

- the effect of creating additional jobs;
- the effect of improving working conditions;
- the effect of improving the health of the population.

The social impact of an eco-friendly investment project is expected to be much greater than that of a conventional production project. First, the production of environmentally friendly products requires higher manual labor costs and, accordingly, increases the employment rate of the population. Secondly, the use of environmentally friendly products improves the health of consumers and increases the life expectancy of citizens. All these indicators cannot be estimated in monetary terms, but it is obvious that the social impact of an eco-friendly project is much greater than that of a conventional production project.

In our case, we use the following methodology to determine the total social effect, namely, to calculate the economic effect of reducing the incidence of the population due to the prevention of environmental pollution, which consists of:

- prevention of loss of net production during the illness of workers engaged in material production;
- reduction of the amount of payments from social insurance funds for the period of temporary or permanent disability of people who are ill in the context of environmental pollution.

The environmental effect is to reduce the anthropogenic, man-made load on the environment, reduce pollution and improve its condition, improve the quality of resource consumption (increase and improve the quality of natural resources suitable for use).

The environmental effect may consist of the following values:

- effect of emission reductions (discharges);
- the effect of restoring the resource potential of ecosystems (land, air, water, biological resources);
- increase of economic (monetary) estimation of natural resources stored (improved) as a result of realization of environmental investments.

The environmental impact of the investment project cannot also be estimated in monetary terms, but it is also clear that it will be much greater than the production of conventional products, since the environmentally-friendly project will have a positive effect on the environment, as there will be no pollution of the ground and air with pesticides and other chemicals. Therefore, in our case, it will be equal to the environmental damage prevented.

The list of effects from the project implementation has also been supplemented by incorporating the institutional effect in a non-monetary form. This is to reduce transaction costs, which at the enterprise level are represented as the cost of negotiating with the victims of environmental pollution and international organizations, litigation.

For the final evaluation of the effectiveness of the environmentally-oriented investment project, a complex effect of investment was calculated in comparison with the project for the production of conventional products.

Therefore, the integrated effect of the implementation of the environmentally-oriented investment project is UAH 1090.18 thousand, and the project has a significant environmental and institutional effect.

The analysis of the problems of improving the economic organization of entrepreneurial activity in the field of special protection allows us to argue that the cluster approach is an innovative tool for the formation of a model of functioning, which contributes to the activation of entrepreneurial activity and strengthen the competitiveness of participants of such associations that interact with each other and territory.

Factors of actualization of cluster formation are: network and global nature of the economy; greening economic growth; the growing political and economic uncertainty and non-linear development of the modern economy; enhancing the innovation orientation of economic processes; intensification of intersect oral and inter regional links; the need to reduce transaction costs.

The well-known definition of a “cluster” was cited by the classic cluster approach of M. Porter: “A cluster is a group of geographically

adjacent interdependent companies and related organizations that operate in a particular field and are characterized by joint activities and complementary” [7].

The reason for applying the cluster approach in the context of this work is the absence of effective organizational and economic mechanisms of interaction between special protection enterprises, enterprises for the production of environmentally-oriented products, processing enterprises, trading companies, authorities and scientific organizations. Organic food companies need new organizational and economic approaches that will help accelerate the development of the industry and its production.

Given the limited financial resources of agricultural enterprises, wholesale eco-product markets should be created with the involvement of a wide range of potential founders.

World experience shows the effectiveness of the creation and functioning of clusters in different segments of the economy. Their common feature is productivity gains in the cluster itself and in related sectors due to the synergistic effect. The analysis shows that clustering is one of the promising models of development and can provide the necessary dynamics of economic growth. Therefore, research and justification of the possibility of implementing a cluster model of development for realizing the investment and innovation potential of enterprises producing environmentally friendly products is relevant.

Due to the rapid transformation of the distribution and planning system to the market and imperfect mechanism of privatization of perennial plantations in the country's industrial horticulture there were clearly pronounced negative trends: reduced production of fruits and berries sharply reduced the area of plantations, to a critical level of their formation. The area of fruit crops in agricultural enterprises decreased by 73.3%. Thus, without radical measures on the part of the state and sectorial structures to revive and intensify the progress of industrial horticulture, Ukraine may lose industrial horticulture in 78 years and put its internal market of fruits and berries in full dependence on their imports.

Ukraine has significant advantages over European countries in terms of natural and economic potential for industrial gardening. This is first and foremost confirmed by the fact that, under the fullest use of such a factor of high economic efficiency of horticulture, as the deepening of zonal specialization, all fruit and berry crops of temperate climate can be successfully grown without exception. Unfortunately, this advantage of

effective industrial gardening is still underused.

The reduction in the production of fruitful products by enterprises is not only due to the reduction of the area of fruitful plantations, but also the reduction of their productivity. The main reasons for this are the lack of adequate logistical support, and therefore the lack of agricultural technology measures, the high complexity of production and the lack of material incentive for efficient work, etc.

The strategic goal of developing an eco-product cluster should be:

- stabilization and further increase of fruit and berry production;
- saturation of the domestic food market with competitive products and expansion of their exports to create opportunities to fully meet the physiological requirements of the population for these products; ensuring extended reproduction of production mainly due to industry self-financing;
- expansion of production of environmentally friendly products through the transition from industrial-chemical farming methods to biological ones;
- intensive management through the improvement of technologies and production organization based on the use of scientific achievements and best practices.

The positive impact of the cluster approach to the investment development of the participating companies will be to create a mechanism to realize the available investment opportunities and to create fundamentally new conditions for development. Increasing the investment attraction potential will be due to the increase of the level of enterprise integration, the growth of labor productivity, the fuller use of production facilities. The potential for investment recovery will increase as a result of increased operating leverage (optimizing the cost structure within the cluster). An important factor is the ability to accumulate investment resources for joint implementation of innovative projects by agricultural and processing enterprises. A problematic issue of cluster formation is the coherence of actions of its participants and the effectiveness of mechanisms for managing product specialization in conditions of limited range [8].

Thus, the key managerial direction of realization of the investment-innovation vector of eco-production enterprises is identified and substantiated power.

In order to formalize this managerial direction for the implementation of the investment and innovation vector for the development of eco-production enterprises, we can use the method of

calculating the financial result of cluster associations [9].

Effectiveness of clustering depends on the state regulation measures that, at the stage of cluster initiation, are to find their future participants, eliminate institutional barriers, develop training and retraining programs, and promote links with scientific and educational organizations. We propose to use the data obtained as an additional management effect from our investment project for the sale of environmentally friendly products.

Thus, the integrated effect of the implementation of environmentally-oriented investment project is UAH 2064.33 thousand, and the project has a significant environmental and institutional effect and is complemented by a non-monetary management effect, which consists in gaining leadership in the industry by gaining competitive advantages – at enterprise levels. It also enhances the image of the city by improving the technical and environmental characteristics of the image components.

The calculations showed that, under all other things being equal, there is a direct correlation between the degree of enterprise integration and the profitability of the integrated cluster-type structure.

Thus, participation in the proposed eco-product cluster for its participants is associated with obtaining positive synergistic effects, such as: achieving optimal production volumes by expanding the scale of activity; generating additional revenue through expanding markets; saving equity through the formation of network structures; reducing the cost of logistics interactions; expanding our range of products and reducing import dependency; reduction of commercial risks, etc.

The impact of the eco-product cluster on information potential is reflected in the promotion of new approaches to green planting and the creation of environmentally friendly planting material through the creation of sustainable channels of transfer of advanced knowledge and the exchange of experience within a single technological and information space. Due to this, there is a financial opportunity for testing and development of advanced technologies, improving the state of the natural urban environment by growing different types of biologically sustainable plantations. The development of the industry and its related fields contributes to the emergence of additional jobs, improvement of the environmental status of the environment, which is a positive trend towards reducing the incidence of the population, and therefore indicators of natural growth in general.

The article identifies and substantiates the key management direction

for the implementation of the investment-innovation vector of eco-production enterprises, which is to implement the scheme of organization and interaction of participants of the eco-product cluster based on the combination of efforts and economic interests of producers of fruits and berries, processing enterprises, scientific institutions and bodies' power.

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APPLICATION OF TOOLS FOR PROJECT- ORIENTED RESOURCE MANAGEMENT IN PROJECTS AND PROGRAMS

Introduction

Effective human resource management of projects and programs is a prerequisite for the functioning of a project-oriented company. Formalization of these processes allows to form project teams with given resource constraints.

Analysis of publications and problem statement

According to the PMI PMBok standard, resource management processes in projects includes processes of resource planning, resource evaluation of operations, resource acquisition, team development, team management, resource control [1].

Existing approaches to the formation of a project team take into account the competencies of applicants, psychological characteristics, the presence of experience in similar projects [2-5].

According to the P2M Japanese project management methodology, when initiating a project, it is necessary to determine the project /

program mission. The implementation of the project contributes to the achievement of certain values: the unique value of assets, the value of innovation (unique functions), the value for owners and interested parties, the value of intellectual assets (multiple uses). The priority of values is determined by the specifics of the project [6].

The project stakeholders are greatly influenced by the project.

As a result of selecting a project team, the team leader receives work performers who are not a team (exception intact teams). An important issue is the cohesion of the project team [7].

Formation of the project team in terms of value approach will reduce the risk of conflicts in the team. For each contractor, it is proposed to define a profile of values. Based on the developed profiles, a value profile of the project team is built.

Considering the profile of employee values at the stage of forming the project team as one of the characteristics in the selection of applicants will exclude from consideration applicants whose profile of values differs significantly from the desired one. For example, the effectiveness of a member of a stability-oriented project team in a team that uses a flexible approach to management and works in a turbulent project environment will be low and the risk of conflict will be high.

At the same time, the involvement of specialists in the project team with the same (close) profile of values will lead to competition for the possession of a certain set of values that is not acceptable in effective teamwork.

An important issue is the availability and terms of the psychological contract, reflecting undocumented mutual expectations between employees and employers, both between the project manager and members of the project team, and between the project manager and company management.

The vulnerability of the project manager, the work “in constant fear” of not meeting the requirements of management leads to accelerated professional burnout. To implement projects during a crisis, a necessary condition is team resilience. During the crisis, the psychological contracts of a project-oriented company are transformed. Depending on the type of crisis, the type of team and the ability to withstand it, the psychological climate in the team may change: decreased efficiency, sabotage and migration of employees or mobilization to overcome problems. In some cases, a change in the psychological contract can be used as an instrument of manipulation.

The genetic memory of the project team reflects the totality of

decisions based on previously implemented actions of the project team (or its executors) in similar conditions of the project. Its components are professional, emotional, intellectual memory. The presence of the team's genetic memory is the basis for the use of a precedent approach and acts as retrospective information.

When a problem situation arises, the "Practice Frame" mechanism starts, as a result of which the team "remembers" a similar situation and, when making decisions and implementing its actions, is guided by the existing template [6]. For example, if in the process of project implementation a leader changed several times, which led to the replacement of existing team members with a new team, led by the leader, then any attempt to change the leader should be considered exclusively from a negative point of view and will reduce the effectiveness of the team (hidden or explicit conflicts).

The lack of formalized procedures for making managerial decisions in the formation of a project team, the non-transparency of management processes, management of manipulation methods leads to conflicts between project stakeholders.

Thus, the urgent issue is the development of methodological tools for project-oriented management of human resources in projects and programs.

The main research material

The emergence of conflict situations caused by the relationship of stakeholders of projects reduces the effectiveness of management.

Based on the genetic memory of the project team, we form a model of interaction with the project stakeholders. When assessing stakeholder interest in the project, it is proposed to use the "Stakeholder" model. The use of a loyalty matrix to assess the possibility of joint involvement of stakeholders in a project reduces the risks associated with the influence of the human factor [8-9].

The use of coaching tools for analyzing the activities of teams and determining the development path of both the team and its members is considered. Discovered metaphors of teams that reflect the nature of the functioning of the team, the possibility of attracting it to carry out projects in various environments:

- turbulent medium;
- aggressive external environment;
- aggressive internal environment;
- calm environment (functioning according to plan).

The influence of stakeholders on the formation of the project team

arises due to the availability of expectations from the human resource management process:

- definition of human resources management strategy;
- fixed appointment – the appointment of a specific member of the project team to perform certain functions;
- determination of the composition of the project teams;
- definition of resource constraints;
- determination of the amount of resources that can be allocated to the project in a multi-project environment or with bimodal management;
- prohibition of combinations;
- the level of resource involvement in the project;
- lobbying for the interests of stakeholders (appointment of a protege).

The usage of proactive human resources management consists in the need to monitor changes in the conditions of the project, forecasting the impact of the environment (both external and internal) of the project participants, and as a result, forecasting the direction of transformation of the psychological contract.

Formalization of the process of determining the resource expectations of stakeholders will reduce the risk of resource conflicts during the implementation of projects, which is especially important for multi-project management [10].

When forming a project team, a set of methods is used [11-12]. To ensure the reliability of the functioning of the project team, backups are used on critical functions. Competency reservation ratios indicate the minimum number of performers who must perform this function. The task of forming a project team and allocating resources between project activities is NP-challenging. In order to automate the process of forming a project team, specialized software has been developed [13, 14].

Consider an example of the formation of a project team with given resource constraints.

The matrix of competencies of performers and the matrix of characteristics are given in Table 1.1-1.3. The characteristics of applicants are the cost of the implementation of the function (work) C_1 , the level of competence C_2 , the level of commitment to the project C_3 .

Requirements for the reservation of functions $T = \{2, 2, 1, 2, 1, 2, 1, 1\}$. Fixed appointment: the second performer performs the first function, the ninth – eighth. One executor performs one function. The level of commitment of the team is not less than 7000. Priority characteristics: C_2, C_1, C_3 .

Table 1.1

The matrix of characteristics C₁ (cost)

P/C ₁	C _{1,1}	C _{1,2}	C _{1,3}	C _{1,4}	C _{1,5}	C _{1,6}	C _{1,7}	C _{1,8}
P ₁	0	140	0	120	150	240	520	0
P ₂	300	0	0	270	120	0	100	300
P ₃	150	0	300	0	0	275	0	150
P ₄	0	140	0	200	0	0	80	200
P ₅	0	0	350	0	180	230	150	300
P ₆	210	0	310	0	0	200	0	180
P ₇	250	150	0	0	100	0	120	0
P ₈	400	0	320	0	200	0	130	450
P ₉	0	170	0	200	0	260	140	130
P ₁₀	0	0	290	0	190	0	0	0
P ₁₁	0	0	280	245	170	0	0	600
P ₁₂	590	0	0	0	300	0	0	0
P ₁₃	0	190	0	260	0	0	0	0
P ₁₄	0	0	0	290	210	0	0	350
P ₁₅	200	120	0	200	0	200	150	0
P ₁₆	320	0	120	300	0	0	0	400

Table 1.2

Characteristic matrix C₂ (competence level)

P/C ₂	C _{2,1}	C _{2,2}	C _{2,3}	C _{2,4}	C _{2,5}	C _{2,6}	C _{2,7}	C _{2,8}
P ₁	0	50	0	20	40	30	60	0
P ₂	20	0	0	27	12	0	60	50
P ₃	50	0	80	0	0	30	0	40
P ₄	0	80	0	50	0	0	80	89
P ₅	0	0	60	0	60	40	70	48
P ₆	80	0	100	0	0	60	0	46
P ₇	60	30	0	0	60	0	70	0
P ₈	40	0	20	0	60	0	70	68
P ₉	0	90	0	50	0	60	70	87
P ₁₀	0	0	80	0	50	0	0	0
P ₁₁	0	0	90	40	67	0	0	56
P ₁₂	60	0	0	0	78	0	0	0
P ₁₃	0	80	0	50	0	0	0	0
P ₁₄	0	0	0	50	89	0	0	70
P ₁₅	40	50	0	50	0	90	69	0
P ₁₆	40	0	40	50	0	0	0	68

Table 1.3

Characteristic matrix C_3 (project commitment level)

P/C_3	$C_{3,1}$	$C_{3,2}$	$C_{3,3}$	$C_{3,4}$	$C_{3,5}$	$C_{3,6}$	$C_{3,7}$	$C_{3,8}$
P_1	0	800	0	567	456	455	576	0
P_2	300	0	0	567	234	0	568	346
P_3	400	0	456	0	0	436	0	456
P_4	0	567	0	789	0	0	567	690
P_5	0	0	235	0	678	478	235	345
P_6	545	0	100	0	0	488	0	567
P_7	577	467	0	0	456	0	456	0
P_8	566	0	688	0	698	0	678	567
P_9	0	456	0	568	0	485	567	678
P_{10}	0	0	989	0	467	0	0	0
P_{11}	0	0	678	678	476	0	0	567
P_{12}	678	0	0	0	698	0	0	0
P_{13}	0	676	0	600	0	0	0	0
P_{14}	0	0	0	500	468	0	0	345
P_{15}	898	565	0	500	0	478	456	0
P_{16}	678	0	500	500	0	0	0	567

Decision.

1. Logical functions that describe executors capable of performing the corresponding functions are given in Table 1.4. In determining logical functions, combinatorial-logical transformations are used [14].

Step 2. Make a generalized logical function F [14]:

$F = A(P, 1) \otimes A(P, 2) \otimes A(P, 3) \otimes A(P, 4) \otimes A(P, 5) \otimes A(P, 6) \otimes A(P, 7)$.

OPERATION \otimes – THE MULTIPLICATION IS DETERMINED AS FOLLOWS:

$$q_i^* \otimes q_j^* = \begin{cases} q_i^* \& q_j^*, & \text{if } i \neq j; \\ 0, & \text{if } i = j. \end{cases} \quad (1.1)$$

3. A generalized logical function is reduced to a formless form by means of formal transformations [13].

4. The result reflects possible options for team building and distribution of functions between executors.

Table 1.4

Logical functions

Function	Logical functions
A (P, 1)	$P_{2,1}P_{3,1} vP_{2,1}P_{6,1} vP_{2,1}P_{7,1} vP_{2,1}P_{8,1} vP_{2,1}P_{12,1} vP_{2,1}P_{15,1} vP_{2,1}P_{16,1}$ $vP_{3,1}P_{6,1} vP_{3,1}P_{7,1} vP_{3,1}P_{8,1} vP_{3,1}P_{12,1} vP_{3,1}P_{15,1} vP_{3,1}P_{16,1} vP_{6,1}P_{7,1}$ $vP_{6,1}P_{8,1} vP_{6,1}P_{12,1} vP_{6,1}P_{15,1} vP_{6,1}P_{16,1} vP_{7,1}P_{8,1} vP_{7,1}P_{12,1} vP_{7,1}P_{15,1}$ $vP_{7,1}P_{16,1} vP_{8,1}P_{12,1} vP_{8,1}P_{15,1} vP_{8,1}P_{16,1} vP_{12,1}P_{15,1} vP_{12,1}P_{16,1}$ $vP_{15,1}P_{16,1}$
A (P, 2)	$P_{1,2}P_{4,2} vP_{1,2}P_{7,2} vP_{1,2}P_{9,2} vP_{1,2}P_{13,2} vP_{1,2}P_{15,2} vP_{4,2}P_{7,2} vP_{4,2}P_{9,2}$ $vP_{4,2}P_{13,2} vP_{4,2}P_{15,2} vP_{7,2}P_{9,2} vP_{7,2}P_{13,2} vP_{7,2}P_{15,2} vP_{9,2}P_{13,2}$ $vP_{9,2}P_{15,2} vP_{13,2}P_{15,2}$
A (P, 3)	$P_{1,2}P_{4,2} vP_{1,2}P_{7,2} vP_{1,2}P_{9,2} vP_{1,2}P_{13,2} vP_{1,2}P_{15,2} vP_{4,2}P_{7,2} vP_{4,2}P_{9,2}$ $vP_{4,2}P_{13,2} vP_{4,2}P_{15,2} vP_{7,2}P_{9,2} vP_{7,2}P_{13,2} vP_{7,2}P_{15,2} vP_{9,2}P_{13,2}$ $vP_{9,2}P_{15,2} vP_{13,2}P_{15,2}$
A (P, 4)	$P_{1,4}P_{2,4} vP_{1,4}P_{4,4} vP_{1,4}P_{9,4} vP_{1,4}P_{11,4} vP_{1,4}P_{13,4} vP_{1,4}P_{14,4} vP_{1,4}P_{15,4}$ $vP_{1,4}P_{16,4} vP_{2,4}P_{4,4} vP_{2,4}P_{9,4} vP_{2,4}P_{11,4} vP_{2,4}P_{13,4} vP_{2,4}P_{14,4} vP_{2,4}P_{15,4}$ $vP_{2,4}P_{16,4} vP_{4,4}P_{9,4} vP_{4,4}P_{11,4} vP_{4,4}P_{13,4} vP_{4,4}P_{14,4} vP_{4,4}P_{15,4}$ $vP_{4,4}P_{16,4} vP_{9,4}P_{11,4} vP_{9,4}P_{13,4} vP_{9,4}P_{14,4} vP_{9,4}P_{15,4} vP_{9,4}P_{16,4}$ $vP_{11,4}P_{13,4} vP_{11,4}P_{14,4} vP_{11,4}P_{15,4} vP_{11,4}P_{16,4} vP_{13,4}P_{14,4} vP_{13,4}P_{15,4}$ $vP_{13,4}P_{16,4} vP_{14,4}P_{15,4} vP_{14,4}P_{16,4} vP_{15,4}P_{16,4}$
A (P, 5)	$P_{1,5} vP_{2,5} vP_{5,5} vP_{7,5} vP_{8,5} vP_{10,5} vP_{11,5} vP_{12,5} vP_{14,5}$
A (P, 6)	$P_{1,6}P_{3,6} vP_{1,6}P_{5,6} vP_{1,6}P_{6,6} vP_{1,6}P_{9,6} vP_{1,6}P_{15,6} vP_{3,6}P_{5,6} vP_{3,6}P_{6,6}$ $vP_{3,6}P_{9,6} vP_{3,6}P_{15,6} vP_{5,6}P_{6,6} vP_{5,6}P_{9,6} vP_{5,6}P_{15,6} vP_{6,6}P_{9,6} vP_{6,6}P_{15,6}$ $vP_{9,6}P_{15,6}$
A (P, 7)	$P_{1,7} vP_{2,7} vP_{4,7} vP_{5,7} vP_{7,7} vP_{8,7} vP_{9,7} vP_{15,7}$
A (P, 8)	$P_{2,8} vP_{3,8} vP_{4,8} vP_{5,8} vP_{6,8} vP_{8,8} vP_{9,8} vP_{11,8} vP_{14,8} vP_{16,8}$

5. Consideration of a fixed purpose. Given the constraints that the second applicant must perform the first function and the ninth – the eighth, we get options for building a project team with fixed assignments (Table 1.5).

6. Choosing the option with the given characteristics: the maximum level of competence of the team, the minimum cost, the given level of commitment.

Options 2, 4, 5 have a maximum level of competence (737), with a minimum cost (2285) and a maximum level of commitment (more than 7000) option 5. The team includes performers: P₁, P₂, P₃, P₄, P₆, P₇, P₈, P₉, P₁₀, P₁₁, P₁₃, P₁₅. The distribution of functions among the executor is given in Table 1.6.

Table 1.5

Fixed project team building options

Executor																C ₁	C ₂	C ₃
P ₁	P ₂	P ₃	P ₄	P ₅	P ₆	P ₇	P ₈	P ₉	P ₁₀	P ₁₁	P ₁₂	P ₁₃	P ₁₄	P ₁₅	P ₁₆			
2	1	1	2	3	6	5	7	8	0	4	0	4	0	6	0	2345	717	6358
2	1	1	2	6	3	5	7	8	0	4	0	4	0	6	0	2335	737	6213
2	1	1	2	7	6	5	3	8	0	4	0	4	0	6	0	2335	677	6368
2	1	1	2	7	6	5	0	8	3	4	0	4	0	6	0	2305	737	6669
2	1	1	2	0	6	5	7	8	3	4	0	4	0	6	0	2285	737	7112
2	1	1	2	6	6	5	7	8	3	4	0	0	0	4	0	2255	687	7012
2	1	1	2	7	6	5	0	8	0	4	0	4	0	6	3	2135	697	6180
2	1	1	2	0	6	5	7	8	0	4	0	4	0	6	3	2115	697	6623
2	1	1	2	6	6	5	7	8	0	4	0	0	0	4	3	2085	647	6523
2	1	1	7	6	6	5	0	8	0	4	0	2	0	4	3	2085	657	6521
2	1	1	4	6	6	5	7	8	0	4	0	0	0	2	3	2065	617	6810
4	1	1	2	5	6	2	7	8	0	4	0	0	0	6	3	2065	647	6479
4	1	1	2	6	6	2	7	8	5	0	0	0	0	4	3	2060	597	6090
4	1	1	2	6	6	2	7	8	0	5	0	0	0	4	3	2040	614	6099
4	1	1	2	0	6	5	7	8	0	4	0	2	0	6	3	2025	697	6466
4	1	1	2	6	6	5	7	8	0	0	0	2	0	4	3	2010	657	6288
4	1	1	2	6	6	5	7	8	0	4	0	0	0	2	3	1985	617	6355
4	1	1	7	6	6	5	0	8	0	4	0	2	0	2	3	1985	627	6353

Table 1.6

Function allocation among project executors

P/A	A ₁	A ₂	A ₃	A ₄	A ₅	A ₆	A ₇	A ₈
P ₁	0	1	0	0	0	0	0	0
P ₂	1	0	0	0	0	0	0	0
P ₃	1	0	0	0	0	0	0	0
P ₄	0	1	0	0	0	0	0	0
P ₆	0	0	0	0	0	1	0	0
P ₇	0	0	0	0	1	0	0	0
P ₈	0	0	0	0	0	0	1	0
P ₉	0	0	0	0	0	0	0	1
P ₁₀	0	0	1	0	0	0	0	0
P ₁₁	0	0	0	1	0	0	0	0
P ₁₃	0	0	0	1	0	0	0	0
P ₁₅	0	0	0	0	0	1	0	0

Conclusion

Thus, accounting for the psychological aspects of stakeholder and project team relationships will reduce the risks associated with human impact and increase project management effectiveness. Using the proposed project team building methods reduces the impact of subjective factor in team formation.

Application of the developed program complex of team formation and distribution of resources allows to reduce the time of making managerial decisions and to increase the reliability of the obtained results.

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**MECHANISM OF
INTERACTION BETWEEN
MARKET SELF-
REGULATION AND
ECONOMIC POLICY OF
THE STATE IN THE
CONCEPT OF SOCIALLY
ORIENTED NATIONAL
ECONOMY**

Ukraine’s exit from the crisis depends on the mechanisms of economic development, which is conditioned by the action of the economic laws system of and laws themselves. Economic development is a process of society life and its constituent parts, which is conditioned

by both the freedom of the human will and the objective laws. Thus, economic development as a process of human life is the result of the action of objective laws, on the one hand, and, on the other, economic management, based on the conscious use of properly understood laws. However, in the modern world, the economy is not a self-contained and closed system. Economic growth is needed to create conditions for human development, improve living standards and quality of life. A tool for creating such conditions in our country should be a socially oriented model of economic development. Therefore, state regulation in the economic sphere must proceed from the realities of the social condition of the majority of the population of the country. Within a socially oriented economy, the market should be seen as a device that maximizes the level of achievement of social goals, not just profit.

The economic development that underpins a socially oriented economy is a process of qualitative change in the economic system, but it is impossible without economic growth. There are theories in economic theory that explain the causes and drivers of economic growth. In Keynesian theories, as in the neoclassical ones, models are used in the analysis of problems of economic growth. The main goal in developing and researching such models is to find out and consistently substantiate the main, most important factors that determine the process of increasing national income, which means achieving the goals of economic growth and improvement of the economic system.

The main models of economic growth include: 1) A. Smith's model of economic growth; 2) the model of economic growth by R. Harrod – E. Domar; 3) the model of economic growth by S. Kuznets; 4) J. Robinson's economic growth model; 5) the model of economic growth by N. Kaldor; 6) Cobb-Douglas economic growth model; 7) R. Solou's model of economic growth; 8) P. Romer's economic growth model; 9) the model of economic growth of A. Lewis; 10) the “golden rule” of E. Phelps; 11) institutional theory of economic growth and development; 12) two-sector macromonetary model of economic growth of V. Ryaboshlik and others.

The socio-economic system, which underlies the socio-economic dynamics of economic entities, leads to the development of society, as well as to the formation and transformation of the entire economic environment. The internal drivers of this process are laws and laws. Laws act as a collective force, the manifestation of which is indisputable, and the result is unambiguous, so thanks to them the most accurate prediction (prediction) of the state of processes is achieved.

Due to the development and complication of the economic system, the system of social relations and relations between the subjects of society, the deepening of the interdependence of their actions, there is a necessary need to integrate these relations into a certain system, the functional content of which is determined by economic and social laws.

An integral part of the process of forming a model of socially oriented national economy is the interaction of the mechanism of market relations and economic policy of the state. It contains different ways, forms, specific technologies regulated by regulatory legal documents. Such a mechanism is a set of organizational and economic forms, principles and methods by which the relations of ownership of the means of production and its results are realized. The transition to a socially oriented economy, that is, to a form based on socialized commodity production, is ensured by the interaction between production and consumption through the market, state regulation and specific public institutions. That is, in a mixed two-sector economy, the market regulation of economic processes is complemented by state-social regulation. Meanwhile, the creation of such an economy requires the following prerequisites: theoretical, economic, political and legal, social and ethical and psychological. Thus, economic conditions include: a) the real variety of ownership and economic activities (the presence of real owners); b) a modern efficient structure of the economy and a sufficient number of modern production facilities; c) dismantling of monopoly structures in the economy and optimal interaction between large, medium and small enterprises, their real independence; d) a strong economic center; e) commodity-monetary and budgetary equilibrium, economic deficit, availability of stocks, based on real achievements in production, and not on administrative and fiscal methods; e) highly developed market infrastructure: commercial banks, exchanges, fairs, trade and warehouse network, inventory management, advertising service, tax and financial inspection, information and transport systems, pre-sales centers and after sales services; g) industrial (financial, labor, technological and organizational) discipline at micro and macro level; g) the state's susceptibility to regulating the market through socio-economic, monetary, financial, structural-investment, scientific and technical policies, the state's readiness to strictly regulate the principles of competition, social protection of the population (including control over pricing).

Any discussion of the forms and models of the national economy, any analysis requires a preliminary understanding of the backgrounds

underlying them. In our case, such prerequisites are “free market”, “market economy”, “property”, “competition”, “socialized commodity production”, “social policy”, “social protection and assistance”.

Social division and specialization of labor are important and necessary conditions for the formation of the market. As a result of these processes, the possibility of commodity exchange and the emergence of the market as the interaction of sellers and buyers emerged. The basic meanings of this term are: first, the market is a mechanism that provides a link between production and consumption; secondly, the market is the place where the sales operations are carried out; thirdly, the market is the place of residence of people who interact through commodity exchange; fourth, there are sectoral markets (securities market, intellectual property market), and fifth, the market as a way of selling goods in the face of two types of material relations: a planned economy and a free market; sixth, the market as a set of socio-economic relations in the sphere of exchange, in which the sale of goods takes place. As a basis, we can cite this definition in its modern sense. A free market is a social institution designed to reconcile fundamentally opposite prices and sellers, with each participant in the process being equal with others, no one having power over others, and no superior authority to look after interests except for the sellers and buyers themselves [5].

The functioning of the free market is conditioned by the following circumstances: 1) the presence of competition, that is, the struggle for survival, in which all means are used – the laws of the market and non-economic methods of influencing competitors; 2) supply and demand – the main mechanism of market functioning; 3) risk – the law of entrepreneurship, which can be different: economic (low rate of profit), commercial (default partners partners), political (not predictable actions of government and higher echelons of power); 4) bankruptcy – the result of competition for those who do not provide adequate activities; 5) spontaneity of the market – there is a circle until regulatory forces emerge; 6) conjuncture – characterizes the state of the market and the moment, that is, the interacting forces of the market; 7) unity of prices, their homogeneity; 8) market anarchy – occurs when there is no governing function of political bodies in a free market; 9) market capacity – characterized by turnover; 10) the law of value is the basic economic law in connection with which the exchange of equivalents takes place in the process of purchase and sale of goods; 11) the advantages of large-scale production – the ability to make fuller use of market conditions, more sophisticated equipment, labor organization, etc

.; 12) concentration of production – increase in the size of production at large enterprises; 13) centralization of production – the desire of entrepreneurs to unite to gain economic benefits in the fight against competitors; 14) differentiation of producers – property stratification for rich and poor; 15) the expropriation of producers – the ruin of some and the enrichment of others, the alienation of direct producers from ownership of means of production and products of labor; 17) proletarianization – the transformation of direct producers into employees; 18) priority accumulation of capital – concentration of means of production in the market entities that become the organizers of the economy; 19) the relative share of each manufacturer in the total volume of market operations; 20) availability of full information on prices and terms of sale of goods from all market entities; 21) availability of different forms of ownership of the means of production; 22) absence of monopoly and other leading forces in the market.

Each of the mentioned above laws and features of the market has a specific autonomy and has its own vector of action on its development. However, they can act simultaneously or sequentially, globally, or unidirectionally. There are several basic economic laws that fundamentally affect the formation and functioning of the market. This is first and foremost the law of competition, the law of value, the law of supply and demand. Under these laws a socially oriented market and a social market economy are built. Yes, the law of demand is inversely proportional to the change in demand with price changes. The main determinants of demand are the price of the goods. But as the market develops, demand is multifactorial and depends on non-price determinants: consumer tastes, fashion, number of buyers of goods, consumer incomes, prices for related products, etc [6].

When analyzing demand, it is important to evaluate the extent of its magnitude, which is usually determined by the notion of “elasticity” of demand. This phenomenon is desirable, but difficult to evaluate. Such demand occurs when purchases rise faster than prices rise. All other cases are considered as inelastic demand. The law of supply expresses the direct dependence of the change of supply in comparison with the change of prices, that is, the price increase leads to the increase of supply and vice versa. The main determinant of demand is price. Non-price determinants include: improvement of production technology, taxes and subsidies, number of sellers on the market. Equality of supply and demand is called equilibrium of the market, and prices that meet supply and demand are equilibrium prices. Due to the reverse economic

dependencies, the market, in turn, acts on production. Due to market exchange the realization and coordination of an important component of economic interests of manufacturers and buyers is carried out. Market management instruments act simultaneously as sanctions mechanisms: first, profit and loss; secondly, property income or labor income generated by the use of goods and services; third, the opportunity for economic growth and social prestige for both integrated and individual market players.

You can agree with the opinion of economists I.M. Bratyshchev and A.S. Makaryan, who believe that in a modern market economy, its mechanism can not be based solely on the law of supply and demand, although, of course, depends on it, as well as on other economic laws [2, p.21].

But the concept acknowledges market failure. P. Kozlowski believes that the term “market insufficiency” is more appropriate than the term “market failure”, since the word “failure” gives the impression of a general market collapse and the existence of a state-protected alternative to failures [1].

The concept recognizes the fact that government failures and government decisions based on errors regarding economic realities can occur as often as cases of market failure and failure. It also acknowledges the fact that state failures are more critical to economic performance than individual market failures. There is considerable asymmetry between the defects of the market and the state: the defects of the market can be corrected by the state; In this regard, the deficiencies of the state are much harder to neutralize than the deficiencies of the market. Since the state is an institution of the highest order, it can only correct itself, but the task of self-correction is extremely difficult.

In the concept of a socially oriented national economy, the idea of equilibrium and compensation is central to three sectors – the overall availability of capital for medium and small enterprises, the offsetting of market failures in environmental and environmental protection, and the implementation of social policy objectives. After all, social policy and social protection must offset the risks of industrial production and provide insurance against unforeseen circumstances, personal troubles and needs. Therefore, the concept of a socially oriented national economy recognizes the possible interference of the state not only in an industry where the market mechanism does not work, but also in those areas of social life where, based on the principle of social responsibility,

the state has an important role to play. The state intervenes in the sphere of market activity in order to form a system of social support for the population. In addition, state intervention is necessary in cases where an independently functioning market mechanism can lead to socially dangerous outcomes, and therefore a structural and regional policy must be pursued by the state. In this connection, it is possible to distinguish the main spheres of policy of a socially oriented market economy, which are based on balancing the social and market components (Fig. 1.1).

That is, a socially oriented national economy is such a model in which the state creates reliable legal and social framework conditions for the implementation of economic initiative, which lies solely in the sphere of individual market decisions. By creating the institutional conditions for the effective functioning of the market mechanism, the state reserves the opportunity to react when its action may lead to social risks. As a result, the state tends to pursue a policy that can create the necessary legal, economic and administrative institutions for the free exercise of human capacity.

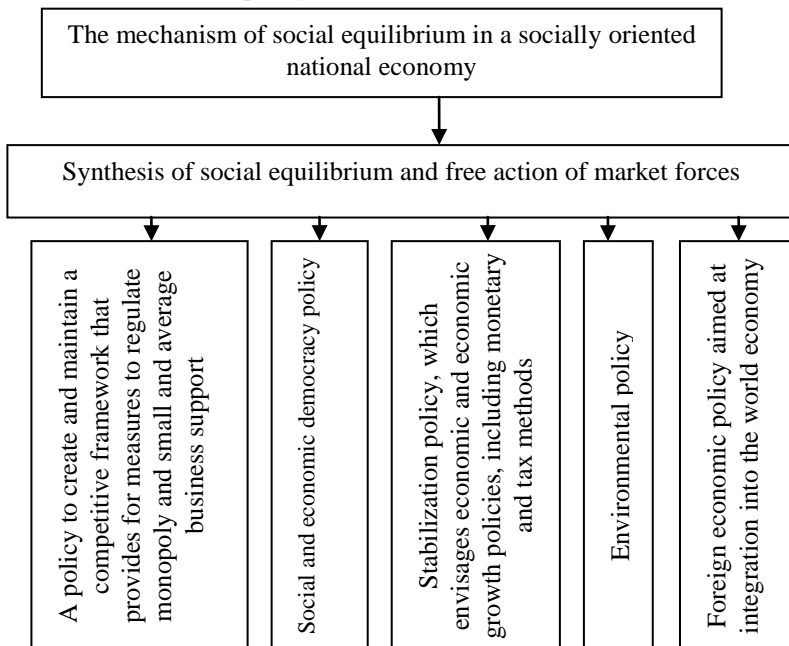


Figure 1.1 The mechanism of social equilibrium in a socially oriented national economy

Developed by the author

Another important prerequisite for a state social development policy is a competitive environment. Competition acts as the market regulator of the economy, which encourages all businesses to make the most efficient use of scarce resources. On the basis of streamlining the technological processing of these resources, an increase in the production of goods and services is achieved, and therefore also tax revenues to the budget, through which the relevant social programs are implemented. Thus, the formation of a model of socially oriented national economy is nothing more than the introduction of framework conditions that will maximally contribute to the implementation of competition policy and the formation of an open competitive environment in the country.

Competition policy is a central element that directly affects the overall effectiveness of the functioning of the entire socio-economic system. In this sense, the concept of a social market economy is based on the premise of prioritizing economic efficiency over social charity of the state. Competition may reduce the role of monopolies and lead to higher incomes, but it remains a mechanism that is neutral to human values and goals. Any adjustments can be made in the state to help constructively transition to a new competition policy. That is, effective competition policy and competition protection must be the goals of the state.

The tendency towards regeneration of the system of “underground” competition, which is based not on open forms of competition inherent in the socially oriented economy, but on so-called “clan” principles, cannot be overlooked. Such principles encourage entrepreneurs not to rationalize the use of their abilities in a system of stable rules of a market economy, but to approach authorities in order to influence the formation of these rules in their own interests, or to obtain benefits and access to exclusive sources of economic information. As a result, competition occurs by rules when success in the market is determined not by the ability to conduct effective business activity, but by the ability to eliminate competitors from it through administrative, financial-oligarchic or political levers [4, p. 32].

At the same time, the economic system inherent in the described system of “clan competition” extends to all spheres of public life, from political to social protection of the population. In such a situation, any market liberalization, as a rule, only leads to the deepening of existing imbalances, the further monopolization of markets and all spheres of public life. Moreover, the strengthening of the “social” component is

necessarily accompanied by the redistribution of the relevant budget resources through the corrupt channels of the distribution system. Thus, the social market economy cannot rely on closed models of post-socialist “clan” competition. Its primary task in a market economy should be the adoption of rules and principles inherent in competitive order, with its social responsibility, openness and transparency of all forms of market struggles, the establishment of moral principles of entrepreneurship, a clear definition of the functions and role of government in this system. The implementation of the described conceptual principles of the competitive order allows to achieve the effect of self-regulation on the use and redistribution of available in the state natural, labor and other limited economic resources [3, p. 57].

Open competition in this case acts as the main regulatory tool that provides for the expansion of the range of influence and power of more efficient competitors and counterbalances the value of less competitive and therefore less efficient ones. The socio-economic system maximizes the rational use of its resource potential and improves the competitive position of entrepreneurs on the world stage. The state is gaining authority and recognition in the world, its citizens enjoy a sufficient level of social protection, and business structures are involved in the process of shaping major economic trends [4, p. 28].

In this case, the microeconomic environment and the social sphere achieve full stability and balance. Entrepreneurs who work more efficiently – reduce unit costs, pay better wages for employees, get professional professionals, reach higher levels of income, increase payments to the budget, and thus create the basis for increasing social payments to the population. The system of financial institutions serves and accelerates the process of redistribution of public resource in favor of more efficient enterprises, contributes to the improvement of its use on a social scale. Only competition for the consumer, credit resources, working capital can serve as an effective tool for determining the best and most successful participants in the market proces.

A prerequisite for maintaining competitive order in the social market economy is the availability of stable currency and free pricing. Only if they exist, can market agents be sure that commodity exchange is on a stable basis and that economic and financial proportions remain important? Otherwise, demand and supply in the markets occurs under conditions of “deformed standards”, when the unit of value of the same product changes in a time-dependent measure, depending on the level of inflation. That is, competition cannot be open unless prices reflect the

real exchange value of goods [3, p. 58]. If, despite the recent trend of increasing hidden inflation and deficits of the state budget, it is possible to maintain stability in the financial market, then the price factor will remain favorable for the implementation of competition policy and implementation of the principles of the social market economy.

Other important areas of competitive order formation are problematic today. First, it is the legislative consolidation and practical implementation of antitrust mechanisms for regulating the economy. As practice shows, the authorities of Ukraine today are called upon to protect the society from monopolistic abuse of certain business groups, but in practice they are advocates of the interests of monopolistic associations and clan groups, thus contributing to the deepening of market distortions and neglect of the monopolies by the monopolies.

Second, support for market self-regulation of the socio-economic system. The main efforts of the state should be directed to reducing their presence in the areas where competitive self-regulation mechanisms are able to automatically ensure the proper efficiency of economic management and self-development of enterprises. These spheres include virtually all sectors of the economy except those that are particularly significant in terms of national security.

Third, ensuring the freedom of enterprise and the dignity of the individual. Post-totalitarian Ukrainian society has been virtually devoid of any opportunity to uphold its own interests, dignity and morality. Fourth, the realization of the priorities of public interest over the personal interests of individual members of society. This principle, which is an axiom of the social market economy, in Ukraine does not find virtually any support either at the state level, in the environment of entrepreneurs or among the population. Prolonged differentiation in the social psychology of its own and other's-state distorted citizens' perceptions of public interest, distorted their understanding of activities for the benefit of society. Social in the minds of most modern Ukrainians is associated with the state, which means foreign and no one needs. Private and group interests, clan morality are increasingly hampering the realization of public interest in the classical sense of the word. A vivid confirmation may be the privatization or brazing of collective farms carried out in the state, when the interest of everyone to become the owner of a piece of the former state property was put above the interest of the whole society for its maximum effective use. These difficulties significantly complicate the implementation of competitive order in modern Ukraine. They create obstacles in virtually all areas of

open competition policy.

Legislators' decision-making on competition cannot take place against the backdrop of spontaneous political interests, as stronger social groups will "tyrannize power" and adapt laws to meet their own interests. Adam Smith drew attention to this feature. This means that in society there is a need for legislation to serve the common welfare, so competition rules in the market must be fair to all. V. Aiken introduced the concept of "full competition" for this and justified it by saying that restrictions on competition must be declared illegal and that a developed system of competitive markets allows the weakest members of society to lead a dignified life.

Therefore, the purpose of the concept of a socially oriented market economy is to combine freedom of enterprise and initiative with the social policies provided by market-based management methods.

Consequently, the transition to a socially oriented national economy is ensured by the interaction between production and consumption through the market, state regulation and specific public institutions, and is based on socialized commodity production. The socialized commodity production itself is another prerequisite for the functioning of the economic mechanism. Socialized commodity production is the highest stage of commodity production, which operates on the basis of social partnership and progress. In this form of commodity production, collective ownership dominates in the form of joint-stock ownership. It is known that simple, classic and socialized commodity production is characterized by similar and distinct features (Table 1.7). As a result, producers of goods are at the same time owners of factors of production and take part in the management of the production process.

When a social partnership is established in society, the actions of the authorities, entrepreneurs, employees and society are coordinated on the dynamics of wage and social assistance payments. In socialized commodity production, large enterprises that use modern management methods play a leading role.

Thus, the economic mechanism of a socially oriented market economy contains the organizational structure of production (vertical and horizontal), specific forms of functioning of the economic system (state and non-state regulation of the market), as well as a specific institutional base (including its legislative component).

The core of a socially oriented national economy is a market economy whose main purpose and goal is to increase production efficiency and profit. Market economy, reaching its main goal, to some

extent automatically solves some social problems – ensuring employment, payment of wages for labor results. But a market economy is competition-based and has no business to do with social justice. Social justice, social protection is ensured by state intervention in the economy (redistribution of created goods, tax policy, and legal support). That is, the state voluntarily, rather than the market economy itself, returns it to the interests of society and gives it the status of a socially oriented market economy. In such circumstances, the state often sacrifices economic efficiency for the sake of social protection of the population. Therefore, one of the important criteria of a socially oriented market economy is the priority of social protection, social justice over economic efficiency, carried out for the sake of social peace and secured by the implementation of state social policy.

Table 1.7

Comparative characteristics of types of commodity production

Feature	Simple commodity production	Classic commodity production	Socialized commodity production
The dominant form of ownership	Small individual private property	Individual private property	Collective ownership
The combination of labor and capital	The employee and the owner are one person	Manufacturers are employees and the factors of production belong to the owners	The vast majority of producers are both co-owners of factors of production
Availability of human exploitation by human beings	Missing	It is possible	Missing. A social partnership is being established
Scale of economic entities	The power of small crafts	Power of medium-sized producers	Priority of large enterprises
Level of utilization of NTP achievements	Primitive obsolete technique	Use of modern technology	Use of advanced technology and information technology
The nature of production	Closed, crushed	Social	The socialization of production is at its highest

Thus, the economic mechanism of a socially oriented national economy is a complex structure and system of interconnections. It includes: a) a system of balanced markets; b) public sector of economy; c) large economic structures that fulfill the regulatory role of the state for the economy as a whole and at the same time increase the market sensitivity to medium and long-term programs of its development; d) public sector administrative and production subsystem; e) system of operative state regulation of economy; e) a budget-balancing system with a powerful core; g) regulatory framework governing mid-market processes.

In rather difficult conditions, Ukraine produces the parameters of its own national model of socio-economic development for the long term. The country has not yet formulated or implemented an effective model of economic development that would fully reflect its national characteristics and interests and become a macroeconomic base for effective state regulation.

The formation of the model of the national economy has its own peculiarities of macroeconomic policy. Macroeconomic policy is a policy of governmental institutions and institutions aimed at regulating economic processes in order to ensure long-term economic growth. The main forms of macroeconomic policy are: credit, tax, monetary, investment, innovative, financial, structural, industrial, scientific, agricultural, anti-cyclical, human resources, foreign economic, social, environmental. In Ukraine, macroeconomic policy began with the formation of science-based government economic programs.

Analytical and forecast macroeconomic models that operate on aggregate indicators: GDP, national income, accumulation and consumption funds, aggregate demand and supply indicators, etc. are used to study macroeconomic development problems in Ukraine. Among the known macroeconomic models that are used to forecast the development of the national economy and analyze the structure of the economy are: 1) macromodels of the economy Ukraine-1 and Ukraine-2, which are designed to make medium-term forecasts of key indicators; 2) macromodels of the UKR-MACRO-3 and UKR-MACRO-4 economics, in which the social sphere and the market of goods and services are forecast among the six subsystems; 3) budget modeling system, which serves for budget modeling; 4) a medium-term forecasting model that operates on real GDP; 5) quarterly model of real GDP forecasting.

The peculiarities of macroeconomic policy in Ukraine should be aimed at overcoming the systemic crisis of socio-economic development. The policy should be transformational and based on

inclusive economic growth.

The priority goals of the national model of socially oriented development are economic stabilization, high level and quality of life of the population, harmonious social relations, stable dynamics of economic development. Thus, the search, selection, definition of forms and methods, factors and mechanisms, the role of which ensure the implementation of these tasks in practice, is actualized.

Since the beginning of economic reforms in Ukraine, domestic science has raised claims about the lack of a clear theoretical base and practical recommendations regarding the strategy and tactics of a radical transformation of the socio-economic system for the further development of the national economy of the country. It is clear that the formation and development of a national model of socio-economic development is impossible today without the active involvement of state regulation, but governmental structures and public authorities are building their activities in accordance with the theoretical canons of liberalism. The national strategy for building a socially oriented model of economic development is the problem of choosing between the speed of such formation and the achievement of the desired effect. In today's context, the evolutionary formation of such a model takes time, which determines the backwardness of the country from other countries in the Western world, and may be accompanied in the future by a loss of production and resource potential and rising economic costs.

Therefore, an effective national model of socially oriented economy should be formed, it should be the result of the implementation of a strategy, within which it is necessary to harmonize the target orientations of market transformations, anti-crisis regulation, structural and technological restructuring, improving the level and quality of life of the population, stabilizing the economy and inclusion in the world economic space. This strategy should be based on high, dignified and at the same time attainable long-term goals that will transform Ukraine into a dynamically developing country basing on intensive work and business initiative and consistent economic policy.

On the way to building a national model of socially oriented economy in order to ensure the continuity of the modernization process, constant in nature, there should be a transfer process, through which daily accumulation and use of specialized knowledge takes place. The result of innovative activity should come to the everyday life. Therefore, in a socially oriented economy, the intellectual potential of the society on which it relies and which is a set of everyday and specialized

scientific knowledge, which are accumulated in the minds of people and materialized in the technological way of production, is crucial.

The formation and development of the national model of socially oriented economy requires the transition from the so-called investment, as a rule, extensive, type of development to a qualitatively new, effective, innovative type of development, based on the acceleration of scientific and technological renewal of production, its intensification, reduction, production costs and increase its profitability. It not only increases the funding sources, but it also opens up the possibility of achieving the optimum ratio between production, storage and consumption, profound radical changes.

Consequently, the transition to a socially oriented national economy is ensured by the interaction between production and consumption through the market, state regulation and specific public institutions, and is based on socialized commodity production. The socialized commodity production itself is another prerequisite for the functioning of the economic mechanism.

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**INNOVATIVE
ACTIVITY OF
UKRAINIAN
REGIONS:
CLUSTER
ANALYSIS**

The relevance of the study of innovative activity in special terms is defined by the high level of differentiation of the social and economic development of regions and further development of the decentralization policy in Ukraine. The assessment of the innovative activity of the regions is not only a factor in the rating dynamics of competitiveness but also an effective tool for designing strategies for the development of inter-regional industrial relations. In many cases, the lack of data on regional channels of technology and knowledge transfer or local levels of scientific and innovative activity becomes an obstacle to stand against the tension of international competition. The allocation of regional clusters by innovative activity helps identify gaps and specialization of the region and is the first step in more comprehensive regional development studies.

Most current methods of analyzing the innovative activity of regions are based on the division of regions into groups using integral indicators (for example, relatively strong, medium and weak regions). This approach is based on a quantitative comparison of regions without the possibility of a meaningful description of their peculiarities. However, innovation is a complex feature that incorporates heterogeneous indicators. Therefore, in this study, k-means clustering and hierarchical cluster analysis algorithms are used to analyze the innovation activity of Ukrainian regions. The application of multidimensional statistical analysis methods is implemented in the STATISTICA application package. The initial data for the analysis of the innovative activity of

regions of Ukraine are presented in Table 1.8.

Table 1.8

Indicators of the innovative activity of regions, 2017

Region	Number of R&D personnel	Number of enterprises realized innovative production, units	New technological processes put into service, units	Number of innovative products items, units
	<i>Var₁</i>	<i>Var₂</i>	<i>Var₃</i>	<i>Var₄</i>
Vinnitsia	627	14	15	52
Volyn	314	12	8	7
Dnipropetrovsk	8954	18	107	84
Donetsk	238	13	69	101
Zhytomyr	410	20	13	20
Zakarpattia	562	9	7	8
Zaporizhzhia	4216	31	142	319
Ivano-Frankivsk	580	14	23	109
Kyiv	1805	22	38	116
Kirovohrad	503	13	16	36
Luhansk	350	3	4	11
Lviv	4680	24	41	247
Mykolaiv	2268	12	29	19
Odesa	3003	17	50	83
Poltava	1181	19	31	86
Rivne	378	3	8	6
Sumy	2081	17	225	217
Ternopil	361	9	78	39
Kharkiv	14851	77	230	396
Kherson	732	10	24	80
Khmelnysk	380	4	7	7
Cherkasy	705	23	30	53
Chernivtsi	809	7	12	25
Chernihiv	699	7	75	97
Kyiv city	43587	52	549	199

Note: Compiled based on the data of "Statistical collection. Ukraine in numbers in 2017"; data exclude the temporarily occupied territories of the Autonomous Republic of Crimea, the city of Sevastopol and some temporarily occupied territories in the Donetsk and Luhansk regions

The k-means algorithm provides for the division of objects into classes, which minimizes distances between objects of the same class and maximizes distances between objects of different classes.

Mathematically, the k-means algorithm for the set task can be described as follows (James MacQueen, 1976; Brotikovskaia D., et al., 2018):

– given: a set of n observations $X = \{x_1, x_2, \dots, x_n\}$, $x_i \in R^d$, $i = 1, \dots, n$; k is the number of clusters $k \in N$, $k \leq n$. In this study, $n = 25$ (number of regions and Kyiv city), $k = 4$ (number of clusters).

V-fold cross-validation was used to determine the number of clusters and a graph of cost sequence was constructed (Fig. 1.2).

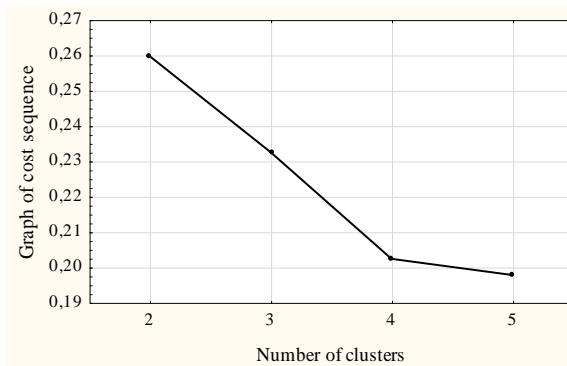


Figure 1.2 Graph of cost sequence

The graph of cost sequence displays the error function for a different number of clusters. The error function determines the average observation distances in the selection of the identified centroids of the cluster. Analyzing Figure 1.2, it can be determined that the error function quickly changes from the second to the third cluster solution and then "equalizes". Thus, the division of regions of Ukraine into four clusters is the optimal amount.

– *it is necessary to:* divide the set of observations X into k clusters

$$S_1, S_2, \dots, S_k, \text{ where } S_i \cap S_j = \emptyset, i \neq j; \bigcup_{i=1}^k S_i = X.$$

The k-means algorithm breaks the set X into k sets S_1, S_2, \dots, S_k , to minimize the sum of squares of distances from each point of the cluster

to its center (center of mass of the cluster). K-mean search matches:

$$\underset{arg}{min}_S \sum_{i=1}^k \sum_{x \in S_i} \rho(x, \mu_i)^2, \quad (1.2)$$

where μ_i are the centers of the cluster, $i = 1, \dots, k$; $\rho(x, \mu_i)$ is the function of the distance between x and μ_i .

The Euclidean distance was used to distribute vectors by clusters $x_i \in X, i=1, \dots, n$ with cluster centers μ_1, \dots, μ_k .

$$v_1, v_2 \in R^d, \rho(v_1, v_2) = \sqrt{\sum_{i=1}^d [(v_1)_{1,i} - v_{2,i}]^2} \quad (1.3)$$

Because the original data have different dimensions of feature space, the data were standardized before performing the cluster analysis. A standardized scale reflects the location of any value of the x_i feature in the totality of the data, measuring its deviation from the arithmetic mean in units of standard deviation.

$$z_{ij} = \frac{(x_{ij} - \bar{x})}{\sigma}, \quad (1.4)$$

where z_{ij} is a standard value for x_{ij} ; x_i is observation, \bar{x} is arithmetic mean of primary results; σ is the standard deviation.

Standardization means the replacement of individual attribute values $x_{ij} = (x_{1j}, x_{2j}, \dots, x_{mj})$ with standardized $z_{ij} = (z_{1j}, z_{2j}, \dots, z_{mj})$ with preservation of the ratios available between the indicators.

Using the starting data from Table 1.8 and methods of multidimensional statistical analysis in the STATISTICA application package, clusters of innovation activity of regions of Ukraine were identified (Table 1.9).

The characteristics of the identified clusters with the information on centroids and the quantitative structure of the clusters are presented in Table 1.10. Based on the data obtained, the distribution of regions of Ukraine by the cluster is disproportionate, which indicates a significant heterogeneity of the innovative activity.

Table 1.9

Clustering of regions of Ukraine by k-means algorithm

Cluster	Region
Cluster 1	Dnipropetrovsk, Donetsk, Ivano-Frankivsk, Kyiv, Odesa, Poltava, Kherson, Cherkasy, Chernihiv
Cluster 2	Vinnitsia, Volyn, Zhytomyr, Zakarpattia, Kirovohrad, Luhansk, Mykolaiv, Rivne, Ternopil, Khmelnytsk, Chernivtsi
Cluster 3	Kharkiv, Kyiv city
Cluster 4	Zaporizhzhia, Lviv, Sumy

Note: Algorithm – k-means; distance method – Euclidean distances; initial centers – maximize initial distance

Table 1.10

Characteristics of clusters by indicators of the innovative activity

Cluster	Centroids of k-means clustering					
	Var ₁	Var ₂	Var ₃	Var ₄	Number of regions	(%)
Cluster 1	-0,199684	-0,131794	-0,201225	-0,065842	9	36%
Cluster 2	-0,351559	-0,522133	-0,472311	-0,734620	11	44%
Cluster 3	2,850967	2,902944	2,699634	1,947006	2	8%
Cluster 4	-0,012543	0,374573	0,535727	1,593128	3	12%

Table 1.11 shows standardized distances between centroids. The standardized distance between the centroids according to the k-means algorithm is calculated from the cluster averages for each measurement.

Table 1.11

Standardized distance between centroids

Cluster	Standardized distance between centroids of k-means clustering			
	Cluster 1	Cluster 2	Cluster 3	Cluster 4
Cluster 1	0,000000	0,206872	1,224057	0,480720
Cluster 2	0,206872	0,000000	1,397279	0,684459
Cluster 3	1,224057	1,397279	0,000000	0,933977
Cluster 4	0,480720	0,684459	0,933977	0,000000

Analysis of variance to determine the significance of differences between the clusters obtained is presented in Table 1.12. The table shows quantitative characteristics of innovative activity indicators of areas: between cluster dispersion (*Between SS*), number of degrees of

freedom for intercluster dispersion (df_b), variance within clusters (*Within SS*), number of degrees of freedom for intra-cluster dispersion (df_w) and criteria for testing the hypothesis of inequality of variances (F , *signif. p*).

Table 1.12

Analysis of variance to determine the significance of differences between the clusters obtained

Variable	Analysis of Variance					
	<i>Between SS</i>	df_b	<i>Within SS</i>	df_w	F	<i>Signif. p</i>
Number of R&D personnel	17,974	3	6,025	21	20,883	0,000
Number of enterprises realized innovative production, units	20,430	3	3,5674	21	40,062	0,000
New technological processes put into service, units	18,255	3	5,745	21	22,244	0,000
Number of innovative products items, units	21,171	3	2,829	21	52,388	0,000

The smaller the value of the intracluster dispersion and the greater the value of the intercluster dispersion, the better the characteristic characterizes the object's belonging to the cluster and the better the clustering (Erina A.M, 2014). The values of the F and p -level also characterize the contribution of the trait to the distribution of objects by the cluster. The higher the clustering quality, the higher the F value and the lower the p -level. The results of the analysis of variance confirm the significance of the intercluster differences ($p < 0.05$).

The graph of the given mean values by clusters is presented in Figure 1.3, the geographical visualization is shown in Figure 1.4.

To summarize the above-mentioned, the highest innovation activity is observed in the Kyiv city and Kharkiv region (cluster 3). Lviv, Zaporizhzhia, and Sumy regions were also quite positive in terms of innovative activity. According to the indicator of the number of employees involved in the implementation of research and development, in 2017, Dnipropetrovsk, Zaporizhzhia, Kyiv (including the Kyiv city), Lviv and Kharkiv regions have the best results. The largest number of innovative products was sold in Kharkiv and Kyiv regions. Kharkiv, Sumy, Zaporizhzhia, Dnipropetrovsk, Chernihiv regions and Kyiv have the best performance in terms of the number of new technological

processes implemented at industrial enterprises. The research reveals a certain unevenness of innovative activity of Ukrainian regions. Thus, regions with low rates of the innovative activity include Khmelnytsk, Ternopil, Rivne, and others (cluster 2).

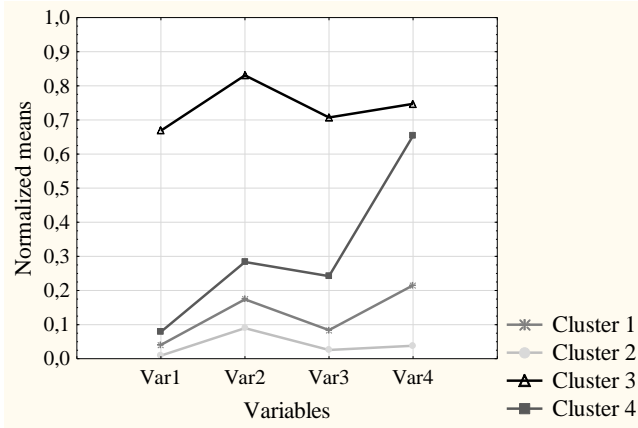


Figure 1.3 Graph of the averaged values by cluster



Figure 1.4 Clustering of regions of Ukraine by the innovative activity

It is worth noting that the division of multidimensional space into clusters (in our case, the division of regions in terms of innovative activity) makes it possible to simplify further data processing and decision making by applying a specific method of analysis to each cluster. However, there is no best option for clustering. Any primary set of objects can be divided into a specific, predefined number of clusters in different ways and get different results (Erina A. M, 2014). The division of a set of objects into clusters is related to a selection criterion (for example: to select observations that maximize the initial intercluster distances; to randomly select k observations; to select the first k observations).

The formation of indicators of innovative activity of the region is influenced by various factors, such as population, income level, availability of a wide range of different creative activities and, accordingly, talented employees, as well as the availability of enterprises and organizations capable of implementing the innovative activity.

Increase in the level of innovative activity of Ukrainian regions can be achieved under the following conditions:

- attracting highly educated and talented employees to help to increase the indicators of innovative development, the economic growth rate and the level of competitiveness of the region increase accordingly;
- stimulation of innovative activity strategies of enterprises and organizations by the bodies of public administration and self-government;
 - intensification and funding of R&D (private-public ratio);
 - increase in gross domestic expenditures on business-funded R&D;
 - ensuring effective implementation of regional scientific and technological development programs;
 - ensuring political stability and security;
 - efficient use of labor, energy, and trade;
 - development of innovative strategies for regional development;
 - increasing the level of scientific and technical publications, the number of researchers;
- ensuring the export of information and communication technologies;
- promotion of import and export of creative goods and high technologies;
- stimulation of increase of patent and intellectual indicators of the country;

- encouraging start-ups and investments in innovative development and research;
- continuous improvements in research and education;
- establishing cooperation between the business sector and universities.

Thus, to increase the level of innovative activity of regions and the country as a whole, it is necessary to develop and implement an appropriate long-term strategy for the innovative development of regions, considering the features of the territories from a particular cluster. The priorities of the innovative strategy should include the following: update of outdated technologies, increase in the volume of investment in innovation, balance of innovative supply and demand, introduction of material, energy and resource-saving technologies in all sectors of the economy, support of research in priority areas of development of science, technology, etc.

Acknowledgements

This work was supported by the Ministry of Education and Science of Ukraine (Project No. 0117U003922 «Innovative drivers of national economic security: structural modeling and forecasting»).

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**STRATEGY OF CHANGES:
CHALLENGES,
MEASUREMENTS, PRIORITIES**

The purpose of the text is to identify the features of the strip of the beginning of changes for all of humanity and for its groups. The importance of the theme is associated with the need to rise in the understanding of socio-economic reality from a discussion of parameters and indicators to the choice of a paradigmatic level. The methodology is based on the unity of theoretical research and practical structuring, analytical generalizations and historical specifics. The study showed that humanity has come close to the threshold of a new economy.

The main challenges of the historical level were not only formed, but also revealed quite fully. In particular, on the one hand, the preservation of the structure of public life and political organization is contrary to the desires of peoples and the needs of sustainable development. Moreover, the further extensive distribution of the dominant model of management rests against the absence of previously undeveloped territories. On the other hand, the increasing contrasts between the life of countries, peoples and social groups undermine productive opportunities in modern systems. The subordination of productive capital to the cycle of expanded reproduction of financially speculative capital is complemented by the stimulation of military spending and resonates with a tendency to lower profit margins. The actualization of this issue occurred both in connection with the historical loss of capitalist reproduction of dynamics on the path of spreading international economic relations and expanding the borders of markets, and as a result of the successful contest of its competitiveness on the part of other models of social life. Meanwhile, various cultural and civilizational worlds often represent and offer more humane and more stable options for organization and development [1-3]. At the same time, the isolation of growing trends of the new, and in them of qualitative / quantitative, undulating / translational changes, remains a serious practical and theoretical problem. In the end, despite the creation of a powerful material and technical base and the backlog of the “new economy”, the maturation of antagonisms raises the price of delay with the

implementation of changes to the possibility of self-destruction and undermining the environment. In particular, the essence of transformations is associated with the overgrowth of the stadial (formation, stage) development, with the overcoming of the material dominant of life. With the global expansion of the features of the knowledge society, the role of the information sphere in combinations of individual and social polylogue is strengthened, which is facilitated by new media, social networks, etc.

At the same time, Ojkumeny is still preserved and developed in the process of gaining historical experience and mastering the socio-cultural heritage by the forces of moral self-regulation, which are based on the mental matrices of peoples. It is the moral rods through traditions, foundations, customs that create, organize and protect society and its historical subjectivity. On the one hand, the movement towards the formation of a knowledge society could not but strengthen in the first place the objective grounds for the demand for those employed in spiritual production. On the other hand, the provision of historical subjectivity and independence is inextricably linked with the priority of the development and realization of scientific and intellectual potential. It makes no sense to refine the decoration of sailboats when dreadnoughts threaten the horizon. From infantilism, on the other hand, is the readiness to aggravate for the sake of another construction of an ideal, an uncompromising victory. Especially – for the sake of clan-family profit. The main problem of transformations: the separation of the irreplaceable and replaceable wave-like, unique and standard – in the strategy, tactics and operations of transformations. The sacred ideas of mankind receive historically different forms of embodiment. As you know, eras have different tuning forks. And with changing conditions, one who is ready and able to use the new trends to advantage survives.

The search for the systemic models of maintaining social equilibrium that they desire when moving towards a cognitive economy is carried out today, first of all, from the standpoint of national egoism, international corporatism, and socio-democratic movements. Meanwhile, the core of wealth (which means the essence of competitive confrontation, training, etc.) is formed around human abilities. So, on the one hand, the complex of giftedness of each has a purely individual character, on the other hand, its finding, development and use is a social necessity. Accordingly, the development of development horizons is a function not of conformity to formal clichés and Procrustean boxes of information recorded by information viruses, but the result of an

increase in the quality of life and the possibilities of creativity of the population. At the same time, in the variety of abilities, the elevation of the role of the structures of the “knowledge society” emphasizes their intellectual part, in particular, activities related to the search, attraction, distribution, development, motivation, etc. spiritually (particularly mentally) gifted. Now both the presence of an environment stimulating this activity and the formation of concentration clusters are important. At the same time, the productivity of the economy involves ensuring the harmony and condition of the socio-economic potential of society, and the vector of its transformation. In particular, the most important condition for this is the proportionality of various dimensions and forms of social potential and its capitalization [4-7]. For the fruitful use of social communications, priority is now of fundamental importance: - the environment for the development of creative activity; - conditions for the deployment of universal giftedness; - innovative development of basic value-semantic complexes, traditions and ways, - the cultivation of concrete, inspirational and each separately, and all of humanity as a whole, development projects. But the improvement of the use of natural resources, transit position, tourism potential, etc., being an integral component of development, when humanity builds a “smart society” can neither have generalizing significance nor provide economic sovereignty.

Thus, the state and dynamics of socio-cultural capital of a society not only limits economic growth, but also outlines its probable trajectories. In turn, the basic value-sense complexes of cultural and civilizational worlds form a predisposition to the priorities of socio-economic development. Meanwhile, a powerful invasion of external capital forms its own environment, in particular by creating a multi-level situational influence, striving to diffuse sociopolitical norms and acquire a systemic character. The state of moral health of the population continues to remain a serious problem, especially because of the trends of marginalization. Lack of staff motivation can also result in significant losses and have such characteristic manifestations as employee “fixation” on the formal sides of job responsibilities and evasion of responsibility, lack of initiative and inertia. Accordingly, without creating a full-fledged sociocultural environment conducive to the trends of political and economic development, and their institutional consolidation, there are threats of drawing in precisely unfair investments, turning investments into a path of external manipulation. Thus, increased competition for capital does not mean indifference to its quality and role in social transformations [8-11].

At the same time, the tendencies of postmodernization of society create the basis for strengthening the positions of representatives of the “new intellectual class” in social relations, who, as a rule, have different hierarchies of values, a broad outlook, great demands on working conditions, and they have life and service orientations related with self-esteem, creativity, self-realization, growth of professionalism, etc. The independence of economic entities integrated into the technological chain is relative; they are subject to technological discipline, as well as the requirements of standards, delivery times, etc. At the same time, highly qualified personnel are usually inclined to mobility in the direction of improving their position and increasing the “field of opportunities”. They migrate, move into more profitable areas. In part, it is the transformation of the sociocultural climate that should ensure the improvement of quality and the activation of the productive forces of society.

Meanwhile, in the processes of satisfying interests and achieving goals, the most viable socially significant innovations are singled out. Both the programming of future socio-economic processes and the management of the trends of the current economic life by the resources of public strategic design correlate with the features of post-modernity as an environment of models and practices for creating a rough outline of the future, creating its purpose and revealing intentions, manifesting itself most sharply during the period of forced transformations . So, in particular, the main features that determine the range of emerging strategic transformations and the impact on them is the transition: - from the economy of simple labor to the economy of unique creativity, - from exogenous quantitative growth to endogenous qualitative development, - from the dominant material to spiritual - moral and intellectual, - from formational to non-formal, - from exchange based on a comparison of goods to exchange based on a comparison of abilities, - from the dichotomy of democracy / autocracy to meritocracy, - from conceptual openness to the recognition of the right of self-worth and separateness cultural and civilizational worlds, - from the cosmopolitanism / nationalism to regionalism and strategic partnerships with flexible alliances and alliances, - from imposing unity of globalism templates to the Post-diversity. Nowadays, changes are being carried out not only of individual social institutions, but also of the very models of life and development, the cultural environment, relations and structures. At the same time, a significant factor in the participation of both the cultural and civilizational world and a particular enterprise in the development of the public climate is the transformation of the marketing strategy

(“realization what is produced” - “produce what the market needs” - “produce what the market requires, doing this better than competitors” - “ produce what specific market segments require ”-“ produce what a specific consumer needs ”) and increase the range of means of influencing the state and trends of a consumer, primarily non-price factors of competition (through branding, fashion formation, etc.). An increase in both the intensity of international communications and the degree of interdependence occurs with a complex interweaving of tendencies toward socialization and individualization of the reproductive processes of society [12 14].

Accordingly, the ideas about society and the state of general prosperity (well-being) today are associated, rather, with value-semantic complexes not of idleness and consumption, but of creation and creative search. This focuses not on the accumulation of various social dependents and their servants, but on the active support of creativity with the realization of the priority of a person, his rights and freedoms; social justice, that is, social equality of people in rights and opportunities; solidarity, understood as an expression of the community of mankind and sympathy for the victims of injustice. Actually, a broader understanding of socio-economic efficiency directly includes such priorities as raising the level of humanism and democracy. At the same time, the search and cultivation of models of democratization of the system-forming relations of labour, property and management, natural for the cultural and civilization worlds, is urgent. The competition for the development of a single, universally recognized as the most effective, model of social structure is being replaced by competition between radically different models. Moreover, the specificity of the model becomes an important condition not only for maintaining the identity itself, but also for the most complete application of the features: the more the economic system conforms to the worldview natural for the given cultural and civilization world, the more stable and harmonious the development. Thus, it is extremely necessary not just modernization, but a cardinal transformation of society. Significant conditions of change are associated with: - "constancy of inconstancy"; - a change in form while maintaining identity.

So, small-scale production, individualization, and, therefore, flexibility, become a characteristic feature of production. As you know, the arrow of time flies faster, increasing the requirements for speed and accuracy of the response. At the same time, value-semantic complexes develop and change their forms, but by no means are they crossed out.

Actually, the scrapping of the basic value-sense complexes means the undermining of identity, and even the elimination of the cultural and civilizational world. At the same time, the conservation of forms of value-sense complexes does not allow timely preparation of a unique response to all new challenges of the time. Building up the processes of democratization shifts emphasis to the social level and the sociocultural content of public communications. Social management is a way of self-regulation, self-defense and self-development of society, consisting primarily in relation to the total social capital of the corresponding cultural and civilizational world on the basis of basic value-sense complexes, which is embodied in the sublevels of internal normalization and external interaction. Moreover, the value of creativity is associated with its pure individuality and spontaneity, which does not at all deny the need for its organizational and managerial design, but only complicates it in a natural way. It is, first of all, about overcoming the “cold”, “objectified” administration based on Fordism. On the contrary, the formation of conditions for the further development of social partnership, flexible working hours, etc. complemented by democratization and diffusion of property relations.

Another thing is that in the conditions of unprivileged regions the possibilities of post-globalism overlap with the counter-modernism of the “new Middle Ages” with a rollback to mysticism, beliefs and superstition. At the same time, the separation of leaders from the remaining part of the world that they are scoring is growing - and this also becomes a condition for the success of leaders. The correlation of the actually human, holy and bestial principles in a separate individual and in the social being of every cultural and civilizational world is different. The mobility vector of this balance forms different priorities when creating: both in the divine assimilation during the production / creation of meanings, and in the animal – during biological reproduction / reproduction. The bestiality is tempted by satiety. Human – justice in ensuring the implementation of the ideals of freedom, equality and fraternity. And the path of reform is the direction of strengthening the human principle in society, respectively – humanizing public life, humanizing socio-political and socio-economic relations. Of course, participation in the processes of creativity requires constant learning: incl. retraining, self-education, both at the professional and at the general methodological level of literacy; Of course, a kaleidoscope of training for these purposes is completely not enough. Economic competition draws in all kinds of international economic relations,

subordinating to its tasks both economic and non-economic resources proper. Of course, as intra- and intersectoral competition (intra- and interspecific struggle for survival) always coexist, so are the different levels of interaction (partnership / cooperation and competition / competition) between cultural and civilizational worlds. The globalization of the socio-economic space that has taken place today is fundamentally changing the level of presence of international norms, approaches, and trends in the life of everyone. At the same time, the nature of the impact on the part of the world economy may be different, and its various properties may be determining. Meanwhile, the space of ecumenical society is unevenly covered by the cultural and civilizational worlds. There are zones of various densities, nuclei and semi-peripheries / peripheries, transitional, diffuse, etc. And cultural and civilizational worlds live their life cycles in no way synchronously. In any case, firstly, if you do not have and do not implement your own strategy, then you turn from a subject of processes into an object of external manipulation. Secondly, ensuring an acceptable quality of life for the population, economic success and long-term stable development in the information era is possible only on the basis of a comprehensive uplift and ensuring conditions for the demand for the scientific and educational complex. At the same time, the opportunity has expanded, living in one territory, to serve the interests of another through its activities.

The quality of development, organization of exchange is the most important indicator of the existing socio-economic system. The really social nature of exchange means how the connection between production and consumption is mediated by the specific laws of exchange in the form of a separate sphere of activity, by specific proportions of exchange. It is the exchange proportions, and not the individual labour costs at all, that reflect the social significance of labour costs. The value form of equivalence in exchange does not compensate for the individual costs of the commodity producer in exchange, but their socially necessary value. At the same time, the dynamics of the form of value plays the role of litmus paper of the processes of social transformation, geostrategic positioning of countries: the interaction structure is a reflection of the state and vector of strategic changes in the socio-economic system. Thus, social exchange from the form of commodity exchange through labour exchange is moving towards the exchange of abilities with the prevalence of creative essential forces. The socially significant results of the axiological and praxeological exploration of the surrounding reality are recorded in the historical

characteristics of values. A practically active attitude of man to the world is carried out through socially historical forms of material and spiritual reproduction. The role of each of the stages of social reproduction is significantly changing. In particular, production is actively segmented for the tasks of exchange and consumption; production is carried out by no means on an unknown market, where only the social price of an item or service is established, the volume of demand for them is revealed. That is, socialization is manifested not only in standardization, but also in the individualization of reproduction processes [4-6]. The correlation of the models of achieving dominance, compromise, and consensus significantly affects the ratio of instruments of retribution / gratuitousness, equivalence / non-equivalence of exchange, protectionism / free trade mechanisms, economic / non-economic resources to support the advanced goals. The direct interest of the leading countries is related to the maximum openness of the markets (while protecting the patents collected on know-how, intellectual property, discoveries and inventions, as well as the activation of the “influx of brains”), other states are interested in protecting their markets and talents when using property universal labour. The regulatory potential of the exchange, its structure and organization is also growing. The subject of reproduction is the carrier of the objective function of the social process, the implementation of which requires awareness of the state and trends, prospects and risks, as well as the availability of material and technical base and the ability to make and implement decisions. One of the most acute contradictions that manifest it through many conflicts is the confrontation between the value of one's own identity (in particular, creative self-development) and possession (submission, manipulation). Belonging to the dominance of each of them generalizes, builds a tree of goals – interests, a functional role system. Manipulation is also inseparable from relations of alienation – appropriation, as the value of initiative – from free creative development of one's own essential forces (at the individual-individual level) and self-development of the world.

Moreover, interest is “wider” than the goal in the sense that it is also based on unconscious, irrational motives, which subsequently receive rationalization and legalization in the goal tree. But the formation of interests occurs under the influence of the Ideal, Dream, fixed by the integrity of value-sense complexes in the structure of morality and worldview. Spiritual and intellectual tension, their emotional and rational dimensions are elements of not only the psychic formation of an

individual person, but also the sociocultural basis of competition between cultural and civilizational worlds. Accordingly, the gap in the levels of their development poses a danger to civilization and the individual. At the same time, spiritual creativity as an integral certainty of spiritual production is extremely sensitive to factors alienating the human person. Overcoming obstacles is an integral element in the development of the individual and society. Deployment of the potential occurs in solving problems, including – victory over a variety of difficulties. Imposing the ideals of “extreme comfort” on the basis of value-sense complexes around the emancipation of bestial instincts, craving for idleness and entertainment or money-grubbing / hoarding, replacing the difficulties of development with the illusion of life is destructive not only for a person, but also for a specific cultural and civilizational world.

Humanization of the world is the deepening of a person’s mastery of his own essential forces and the opening of the world. It is significant in this context that significant sociocultural specificity can be inherent not only in real, but also in reflective consciousness and have a basis in the subconscious (which, in particular, increases the role of the mythical level of providing information influences due to coverage of the contents of the constants of the subconscious and the possibilities of transformation of world perception). At the same time, its functioning is modified according to transformations of conditions, determined, first of all, by social relations, achievements in spiritual and material culture, social structure, correlation of social psychology and ideology.

Global transformations have led to the transformation of both educations (self-education) into a continuous process, and science into the first (leading) productive power of society through the position of direct productive power. To release its creative potential, science acquires the characteristics of a post-nonclassical one, integrating the methods and capabilities of different areas of knowledge. However, the sociocultural fields of a knowledge society are no less vulnerable to manipulation of consciousness, moreover, the arsenal of resource-methodological support for informational influences is increasing. In turn, it is scientific and intellectual activity as having the greatest productive potential that is at the forefront of alienating forces. Moreover, the archaization of social life and the appearance of the features of the “new Middle Ages” may increase along with the atomization of society, and not at all be a return to the cohesion of society by tradition. Counter-modern is a model of the dominance of

regression with its features: deindustrialization, a rollback in the field of culture, a drop in the level of education, etc.

The nature of post-globalism is susceptible to social combinations of consumer self-restraint in favour of the creative process and individual self-discipline for the realization of the essential forces. Accordingly, scientific-educational-production cycles reconfigure their leading links: basic research – applied research – technical development – manufacturing of new technology – its distribution and use, suggesting the formation of both a beneficial socio-economic environment and innovative points of change concentration, finding solutions contradictions between the objective need for the cultivation of creative giftedness (primarily spiritual) and “brain drain” in the direction the most prosperous regions of Ojkumeny. The first additionally emphasizes the role of the Super-Project of development, the second – the formation of scientific, educational and industrial clusters with a core from the brain centres. The essential difference in the dynamics of social development is embodied both in the goal-setting of the public Super-Project and in relation to individual giftedness, the range of creative or alienated environment for their implementation. A sense of ownership in public projects is becoming the most important motivator for action. The nature of the public Super-Project is cemented by public support, on the one hand, of philistine-consumer social and political behaviour, and on the other, by the values of creativity, which is carried out, in particular, with the use of resource-methodological bases of myth-making.

At the same time, the nature of such a competition of meanings is often (especially in a networked society) determined not so much by rigid state borders as by regions and common psychotypes. The development of countries and the rise of their economies, as a rule, are based on “development points”: clusters, regions, leading concerns, industrial groups, etc. They create a “chain reaction” and “pull” others. The harmonization of individual and social, the balance of the components of openness and closeness, the possibilities of a post-market mechanism and public-private interaction provides for the forms of combining the energy of private initiative and entrepreneurship with flexible state regulation. Organizational and managerial transformations once again remind us of the presence of three main dimensions: ensuring individual freedoms and human rights, raising socio-economic well-being and political consciousness. These areas are interconnected, while, for example, a high level of culture of investments in education and training, science, healthcare and social security of workers is an

integral feature of the transformation of human potential into a human factor, as well as its expanded reproduction. At the same time, changes in the content of processes require adequate functional role and organizational and managerial transformations. In particular, in the current situation, the most fruitful strategy is to cultivate humane conditions of life that stimulate the development and disclosure of the essential forces of man. Since the rush of Enlightenment and High Modernity, society has been accustomed to the idea of development on the base of the beneficial effects of knowledge and its connection with development: both as a whole and its constituent parts (technical, technological, socio-economic and value-sense progress). However, the release of powerful destructive (and self-destructive) forces makes it imperative to ensure the vector of humanization of social life (in particular, role-playing and substantive-active) and the creation of a solid moral foundation for the further development of the world. Accordingly, a comprehensive and consistent humanization of social relations, accompanied by the growth of political culture, is the most important direction for preventing counter-modern scenarios. At the same time, without restoring the complexity in including scientific research in the cycles of industrial reproduction, one cannot count on a steady increase in the share of scientific developments in final products and services as a form of conscious recognition by society of the importance of intelligence for the knowledge economy.

Thus, the fruitful realization of changes: social, economic, political; in society, corporations and individuals – must take into account the transformations of both the environment and other actors. The totality of opportunities and threats changes the priorities of both further development and the period of forced transformations. For example, the value of combinations of moral stability and intellectual creativity increases sharply. At the same time, the development of mankind and society forms new resource and methodological bases of strategy, tactics and operational art of change. In particular, the development of a post-nonclassical arsenal of social communications often comes to the forefront of managerial compositions.

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Chapter 2

JUSTIFICATION THE MECHANISMS ENSURING SUSTAINABLE SOCIO- ECONOMIC DEVELOPMENT

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DIGITAL PR

The Internet has influenced all areas of our lives, including services. Via new technologies, we can do shopping online in any store in the world. In this case, Internet is a convenient instrument of consumption: selection, evaluation, ordering and payment for goods.

Along with the obvious benefits of online shopping – saving time, lower prices, a huge range – there are also some consumer risks. PR (Public Relations) online is no less important than in traditional media. PR online is designed to create a positive image of the company, its attractive image to consumers.

Traditional PR involves collaboration with print media, television channels, radio stations. But today one can not ignore another news channel – Internet, so PR online actively complements PR in the “offline” media.

Traditional PR uses high circulation, readership, and viewer ratings to determine who to approach when selling in content to media houses and publishers. Even traditional PR’s who claim to ‘do digital’ still use this method.

Digital PR doesn’t exclusively focus on the number of followers on social media sites and readers before approaching them. It also focuses on evaluating domain authority and non-paid opportunities for link citations. The success of Digital PR is, as a result, more measurable than Traditional PR.

But the main thing is that the Internet has given us a choice. We

select information flows and the degree of immersion in them. We choose the form of communication and information exchange options. It is the problem of choice, both a small group of people and the whole community that digital PR deals with, coordinating the behavior and mood of the audience.

Digital PR is very similar to traditional PR in the sense that it's about influencing people rather than buying placement for brand content. The influence could result in a story in a magazine, newspaper or blog. It could also result in other online pick-up, including by social media influencers.

But online PR also includes a wide range of activities that help your brand or business reach a wider audience digitally, activities that don't require a big book of traditional press contacts.

A well-thought-out PR is effective everywhere, not to mention the global Internet. After all, the "web" has unique, vast opportunities for building communications. Among them are the following:

- The relatively low cost of holding promotions and other PR events in the Internet;
- Relatively low resource consumption along with high speed of preparation and implementation of campaigns;
- Manageability of the campaign in real time, the possibility of online analysis and adjustment;
- A high level of user involvement in what is happening in the network, establishing effective feedback;
- Campaign focus, thanks to a clear differentiation of the target audience;
- 24/7 access to information and lack of spatial restrictions to it;
- Lack of strict forms and a wide choice of formats for conducting PR campaigns.

Digital PR is a tactic used by brands to increase their online presence through building relationships with key content writers and online journalists to gain 'press hits', or citations, and high quality backlinks. Digital PR, when done properly, increases a brand's reach and visibility and in turn has a positive effect on search engine visibility through effective onsite SEO, driving increased referral traffic.

Effective Digital PR can be measured by annotating the PR hits in Google Analytics and measuring how much referral traffic has been gained from those Digital PR hits. By analysing and tracking how well the site's landing pages rank for targeted keywords also assists in determining the success of a brand's Digital PR strategy.

Annotate your PR hits in Google Analytics to measure the spikes in referral traffic metric generated by PR hits. Also take note of increases in organic search traffic, as the keywords included in your PR pieces are likely to unlock even more traffic and conversions.

Use the Google URL Builder to tag your PR campaign links. This allows you to get a view on bounce rate, conversion data and all other standard Google Analytics data and metrics.

Use Open Site Explorer or similar tools (Majestic SEO) to monitor your website's backlink profile. Effective Digital PR should result in your site gaining additional backlinks.

Use SharedCount to track URL shares, likes, tweets and more, of your press hits to gauge the success of your hits and content on social media.

A good PR hit is a hit within a site that has a high domain authority and that includes a natural link to the brand's site with relevant brand anchor text included. The key to a great PR hit is to make sure that the reader is directed to something he/she is expecting to see. How you pitch your content to online journalists is the key to getting your message conveyed in the way that you intend it to be received [1].

The outreach for online PR may be both direct and indirect. The business can employ social hashtags and search keywords alongside email and snail mail. Propelling both traditional and online PR is story-telling. This is never going away: Story-telling and quality content help position stories for absorption, both online and off.

At the core of good storytelling is compelling thought leadership that differentiates and validates your brand. Using digital tools, inspiration from thought leadership can come from a range of different places: Such as insights gained in a sales CRM exchange between prospects and sales reps about what their biggest challenges are, or analytics from a paid campaign that tell you which value propositions make people convert.

Digital brands don't need to wait on outside publications to launch their stories to a new audience. They can cast a wide net with display ads and videos published on Vimeo or YouTube, or narrow in on a specific audience slice with tools like LinkedIn sponsored content or Google Ads re-marketing.

There is a wide variety of tactics and proportions – with some favoring search while others favor placing online content as editorials and guest blogs. Online PR incorporates journalism, creative writing and story-telling, sales, media, SEO, social media, community management, customer relations, web design and on and on.

Online PR efforts can have media or influencer outlets but can also be seen directly by potential customers or the consumer market. Online press releases may direct small amounts of traffic to a brand or corporate website. Typically those distributed releases are displayed as search results, which consumers may find for medium and long tail queries.

Online press release distribution options include: Vocus; PRNewswire; Business Wire; Marketwire; Cision; PRWeb; VMS.

Online PR best practices incorporate real-time marketing efforts, online advertising, reputation management (via alerts tracking campaign performance, building brand buzz and addressing corporate crises as well as SEO, social media, viral and word-of-mouth marketing and influencer marketing. For instance, finding and connecting with influencers can help give a B2B brand or product release a big boost. Yet first you need to engage with that influencers' social network and show interest in their content and the industry area they focus upon.

The B2B using online PR tactics will want to explore related:

- Industry websites
- Niche or topical websites
- Blogs
- Influential social media accounts
- Media-sharing websites & social networks, including Youtube and Flickr
- Forums: Topic-focused, industry-related and niche
- Wikis
- Twitter feeds
- Google Plus: events, hangouts and other groups
- LinkedIn: news and groups
- Social media & bookmarking websites, networking
- Personal blogs with niche audiences
- Online workshops in webinar format
- EBooks
- Participation in Internet TV projects

When used correctly (and consistently), companies can extract many unique leads out of online PR efforts. After all, online PR is simply an extension of the inbound marketers' efforts to have the right messages seen by the right people in the right context [2].

There are three components of digital PR – these are Web-PR, Net-PR and Online-PR.

1. Web-PR is web sites, virtual conferences and accessible interactive directories. The website is an element of the company's

image, an important channel for interacting with the target audience and a source of critical information for the CRM system (CRM – customer relationship management, allows you to track, store, rank and export their development history). The site can be a representative or a corporate, online store or an advertising promotional site. Each type of site helps to accomplish a certain range of PR tasks facing the company. The company's own business site is its "virtual office" and all functions of representing the online company it can take over. However, the best effect in gaining popularity and recognition from Internet users can only be achieved through a comprehensive approach where the site, a group of related social profiles, and online advertising campaigns interact closely with another.

1.1. The organization of online conferences is an excellent news item that allows you to attract the attention of mass-media with the subsequent coverage of the event on the network. Conducting online interviews and conferences – as a rule, such events are held with the participation of directors, top managers of companies, political and public figures. Efficiency is achieved by preliminary informing users, which allows you to attract more readers prepared for the event.

1.2. Organization of Internet broadcasts can be broadcasts of sports games, political events, various shows. Efficiency is achieved by attracting a large number of users from all over the world.

1.3. SMM (social media marketing) is a continuation strategy of the SMO. Using SMM techniques, future customers are attracted to brand pages on social networks, creating interesting and useful content, as well as launching interactive promotions, competitions, etc. A set of brand promotion activities on social networks Facebook, Twitter, blogs and forums.

SMO is an adaptation to social networks. SMO should be the first item on your to-do list, as your social networking audience grows every day. Brand pages on Facebook, Instagram, and other such platforms are small or large media outlets with their readership.

The main points of SMO optimization:

- Interesting, competent content on the main site and in all marketing channels: blogs and newsletters free and paid external resources. If people are interested in the article, they will be longer on the page, remembering the resource and the company.

- Content should be accessible for easy “stratification” to any of the most popular social networks.

SMO will help to engage the user in the community of your brand.

Therefore, we place links to network accounts (with beautiful avatars and enough subscribers) on the company's main resource.

SMM includes such points as:

- Reputation marketing: analysis of the company's reputation on the network, collection and analysis of reviews and mentions. Development of a strategy for improving the image, carrying out work.
- Comprehensive PR: creating loyal communities, actively promoting them among the target audience with precise selection by age, gender, geography, interests and much more.
- Keeping a company's blog, forming the image of a modern progressive company.

It's not a secret that social networks, popular personal and corporate blogs, forums have a significant influence on the formation of public opinion on certain events and phenomena. Therefore, digital PR necessarily involves interaction with similar social services.

On a social network, a company can organize its own group that represents its interests. Depending on the settings of each specific social network, the company will be able to add images from its group (for example, photos of sold goods or successfully completed projects), publish news and notes about the life of the company, organize a discussion of new products of the offered range, organize competitions, promotions, etc.

The effectiveness of the method will be judged by the number of views, likes, comments and bundles – these moments will help you understand what the client wants to know and create interesting articles for him. For people to become customers more often, you need to put slide-in offers on the lightbox page.

1.4. Viral PR is an idea that will please and lightly infect a huge audience. People will share this information themselves on social networks. To create a viral campaign, you must:

- Create positive content, focusing on the strengths of the subject or concept.
- Information should be focused on a clear response in the audience.

The message should be useful and practical. SERM-image on the network. Sometimes companies order false positive reviews about themselves and negative ones about competitors. "White" methods are much more effective, because it is better to place in the Landings or letters for distribution a block with true reviews of themselves – both positive and moderately negative. The presence of different reviews will prove that the company does not turn a blind eye.

2. Net-PR is the electronic distribution of press releases, commercial offers, announcements, etc. This also includes chats and forums, which are an open form of communication, when everyone sees the reaction of participants to a statement.

2.1. The publication of unique news and information materials on various Internet sites is the sites of news agencies, traditional media, specialized and thematic servers. Efficiency is achieved by preparing a database of journalists with a description of the publication and topics on which the journalist works. Based on this data, mailing lists are compiled.

2.2. E-mail marketing is a business mailing. This tool relates more to advertising than to PR, but in this case, belonging to a particular area of social management depends on the content of communication. Efficiency is achieved through the development of a mailing list.

2.3. Blogging. Interesting content is the basis of all digital PR techniques. Participation of a company in a popular thematic forum, relevant to its profile of activity, will allow the company from an expert position to advise other participants of such a forum, to answer their questions. Literate, polite and competent messages in this case form a stable positive impression of the company among the visitors of the forum, and, in fact, this is the main goal of digital PR.

The tasks of running a company corporate blog are in many ways similar to the tasks of creating groups on social networks or creating company profiles in popular and reputable themed forums. Own corporate blogging, from the point of view of digital PR, helps the company to become “closer to the people”, because the blogosphere itself is a “barometer” of the interests of the Internet audience: any important event immediately finds a response in blogs.

3. Online-PR – this is online access to offline information when you can read the electronic version of a magazine or newspaper. Use of network information resources to inform users, for example, conducting PR-actions, promotions. And access to an interactive database in real time, ensuring the target audience is provided with relevant information.

3.1. Carrying out online promotions – such a tool is used in the entertainment industry, as well as in sales. Efficiency is achieved by differentiating the target audience, attractiveness of the proposal and creativity.

3.2. Cross PR is a fairly effective system for exchanging advertising graphic or text blocks. Efficiency is achieved through the competent choice of a site for exchange.

3.3. Sponsorship programs – a mutually beneficial exchange of financial or material services. For example, posting materials and company news on the portal of a sponsored company, conducting advertising and PR-actions in relation to the sponsor in exchange for other services. Efficiency is achieved through the competent choice of a sponsored company.

The choice of digital PR tools is determined by the tasks facing the company. This can be raising awareness about products and services, promoting sales, building trust, increasing the image of an organization or seeking mutual understanding with the target audience.

As for the methods of implementing PR-campaigns, they have the following directions of influence: mass communication (mass relations), communication with groups (group relations) and relations with the media (media relations).

Mass communication works to promote products, brands or sites. The task is to maximize the attraction of the target audience and the retention of its interest. Relations with the media are the most commonly used element of interactive PR and the most effective, since the mention of the company, its products and services in traditional and online media helps to increase active users who can go into the category of company customers.

Communication with groups works with the target market segment. Very important directions of PR, since 80% of profits are made by 20% of customers. This means that interaction with this group should be built on the principles of trust, openness and willingness to various rewards for the displayed loyalty to the company.

Digital PR increases trust and credibility, conversion rates and ROI and brand equity, a concept that's explained nicely in this PR Metrics infographic.

The fairer the PR tools in the network, the more long-lasting the effect, and honest customer engagement techniques will provide a huge audience of regular customers. Digital PR should follow closely with your SEO and digital marketing strategies for maximum effect. However, Digital PR can strengthen weaker landing pages and increase the site traffic of slower moving stock – even if it does not directly follow your overall marketing objective. When used with SEO, Digital PR can take advantage of key search term trends and maximise coverage on what people are already searching for the Internet.

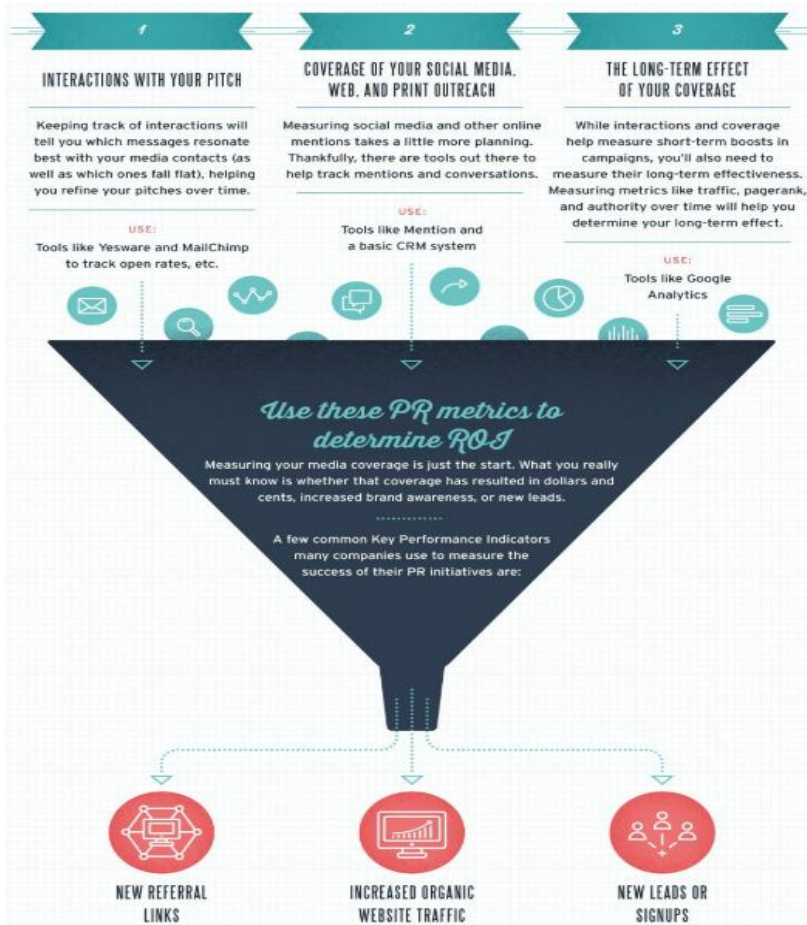


Figure 2.1 PR Metrics [1]

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**STATE
MANAGEMENT OF
SUSTAINABLE
AGRICULTURE OF
UKRAINE**

In the course of its development, each country strives for economic growth. In Ukraine, this desire is exacerbated by the urgent need to achieve sustainable economic growth and improve the social aspects of citizens' lives. In recent years, many immediate, high-profile transformational measures have been taken since the declaration of sovereignty.

The constant changes of both external and internal factors of influence on the functioning of economic entities necessitate the development of effective ways of ensuring their adaptive capacity while maintaining their own integrity.

The basic meaning of the term "sustainable development" is reduced to the kind of development that would meet the diverse needs of the world community as a whole and the population of each country. The ability to meet the needs of future generations is also guaranteed.

Development and implementation of the concept of sustainable development is a strategic task of the modern state, which will help to change the worldview of people and ensure the common future of the Ukrainian people.

In September 2015, at the 70th session of the UN General Assembly in New York, the UN Summit on Sustainable Development and the

Adoption of the Post-2015 Development Agenda approved new benchmarks. The outcome document of the Summit on “Transforming Our World: A 2030 Agenda for Sustainable Development” approved 17 Sustainable Development Goals and 169 Tasks.

Ukraine, like the UN Member States, has joined the global process of sustainable development. To establish the strategic framework for Ukraine's national development for the period up to 2030, an inclusive process of adapting the Sustainable Development Goals has been initiated on the basis of the principle “No one left alone”.

Each global objective was considered in the light of the specificities of national development.

It is in the EU's Sustainable Development Strategy and in its updated version that the main principles of the implementation mechanisms in the economic, social and environmental spheres are laid.

Turning to the excursion into the past, it is worth noting that in the adopted in 2001. The EU Sustainable Development Strategy “Sustainable Europe for a Better World: A European Union Strategy for Sustainable Development” has developed a number of key principles that should help to shape environmental governance and its development in the EU [1]

The EU emphasizes that the policy in this direction needs greater openness where necessary, and compromises between competitiveness and the environment.

The European Union's Sustainable Development Strategy “Sustainable Europe for a Better World” states that more systematic dialogues, especially with consumer representatives, are a concrete tool for implementing this approach qualitatively.

Managing sustainable development processes requires both a holistic vision of its change and of the three components of sustainable development – economic, social and environmental. Ukraine lacks a comprehensive approach to achieving the strategic goals of sustainable development, and each subsystem is not involved in a system where the necessary interconnection and interaction between its components occurs. Economic policy must be the basis for social and environmental policy, social policy must have an economic basis for implementation and, at the same time, set environmental policy requirements and take them into account. Environmental policy must have economic and social potential for implementation. In this context, the legal basis for sustainable development must be formed and implemented.

By 2020, EU countries plan to reach a fundamentally new level of

socio-economic and spatial development of the regions, setting the following strategic priorities: ensuring sustainable and balanced regional development (including reducing disparities in socio-economic development of regions, reducing poverty, adherence environmental standards of development); support of integrated development of cities, urban areas, rural and special (special – remote, mountain, border) territories; implementation of a policy of sustainable development of urbanized territories, finding the optimal ratio at the level of “metropolis – urbanized territories – small town – rural territories (village)”; comprehensive support for the development of cross-border cooperation, the development of border areas; promoting the development of inter-municipal cooperation in solving common problems of regional development (including infrastructure development); increase of competitiveness and investment attractiveness of regional economic complexes; development of the infrastructure of the region (transport, production, energy, communication, etc.); improvement of “local accessibility” of the territories (including transport, communication, communication systems); creation of an effective system of management of the ecological, landscape and cultural resources of the regions with involvement of the community, local self-government, etc.

In view of the strategic course on European integration, the realities of Ukraine need to determine, on the one hand, the basic benchmarks for correlating the goals of regional development of Ukraine and the EU, and, on the other, to develop their own strategic vision of reforms at the regional, local level, taking into account the emerging challenges. The need for sustainable development of the Ukrainian economy is obvious today. Its important component is the AIC. Many economists believe that agriculture is the leading section in Ukraine’s economy. It traditionally provides 15-20% of GDP annually, generates foreign exchange earnings from agricultural exports, and is a source of current liabilities in the context of a debt load on the national economy. Over the coming years, Ukraine is obliged to pay the principal amount of external debt and interest in the following volumes: 2019 – \$ 5.987 billion; 2020 – \$ 6.081 billion; 2021 – \$ 6.286 billion; 2022 – \$ 3.588 billion [2]. The main task of the AIC is to ensure the food security of the country and the population with quality products of domestic production. The country’s active participation in international economic relations is a determining factor in the development of the country’s economy. According to global competitiveness estimates, in 2017, Ukraine ranks 81st among 137 countries in the world, and 101 in terms

of commodity market efficiency [4]. This calls for increased attention to the issues of proper management of the AIC of Ukraine.

Sustainable development of AIC needs state support. At the state level, the following forms of direct budget support are distinguished [5]: provision of subsidies to agricultural production; subsidizing short-term and investment lending to agricultural enterprises; providing subsidies to cover part of the costs of agricultural producers for crop insurance; subsidies on capital expenditures. Indirect support is the purchase of agricultural products, food; regulation of the production market through grain purchases, commodity interventions; protection of economic interests of agricultural producers in the field of agriculture in the course of their foreign economic activity, etc. With direct support, production potential and positions in the consumer market are strengthened through measures that provide favorable organizational and economic conditions for agricultural producers. These include debt restructuring measures of agricultural producers' arrears of payments to the budget of all levels, state extrabudgetary funds, energy suppliers and other logistical resources; creation of a special tax regime; support of agrarian science; implementation of state programs and national projects.

Sustainable development of the agrarian sector is important for ensuring the food security of the country, employment and increasing the country's export potential.

Ukraine is one of the key players in the global agricultural market. The agrarian sector of Ukraine is today supports the Ukrainian economy and is one of the main budget-filling and export-oriented sectors of the national economy.

The share of agro-industrial exports in the overall structure of Ukraine's exports is steadily increasing. Agricultural trade in agricultural products between Ukraine and eu countries increased by 11.4% in 2018 compared to 2017 and reached over \$ 9 billion, \$ 6.3 billion of which accounts for Ukrainian agricultural exports.

The leaders of Ukrainian agricultural exports to the eu markets are cereals, which exported more than \$ 2.2 billion, oilseeds – \$ 1.1 billion and oil – \$ 1.1 billion.

The top 5 key importers of Ukrainian agrarian and food products in the EU are headed by the Netherlands, where nearly \$ 1.2 billion worth of products were exported. USA. Spain holds second place (\$ 1.04 billion), third place in Italy (\$ 737.9 million), followed by Germany (\$ 667.4 million) and Poland (\$ 656.7 million).

Imports of agricultural products from EU countries have also shown

an increase. In 2018, it amounted to almost \$ 2.7 billion, its \$ 420.7 million more than in 2017.

During 2018, Ukraine made the largest purchases in the EU of the following goods: chocolate and cocoa beans, tobacco and products, animal feeds, meat and by-products, alcoholic beverages. Ukraine bought the most in Poland – \$ 556.1 million., Germany – \$ 492.6 million, Italy – \$ 276.6 million, France – \$ 242.1 million and Spain – \$ 147.7 million. [3]

Experts emphasize that the raw material vector does not give prospects for development of the national economy if Ukraine is positioned only as a producer of high value-added raw materials.

The agricultural commodity direction of agricultural exports should be gradually replaced by stimulating investment in the livestock sector, and in the case of oilseeds, deepening their processing into food (sunflower, soybean) and bioenergy (rapeseed). Organic products are a promising niche for the AIC of Ukraine, for this purpose it is necessary to develop a certification system.

The main obstacles to strengthening the competitiveness of domestic agricultural products in foreign markets are: low level of development of the financial and credit system, underdevelopment of insurance against industrial and credit risks, underdevelopment of agro-industrial infrastructure that increase the cost of production, prices are decreasing accordingly. It is necessary: to update the technologies of production processing, to attract foreign investments under these goals. In general, the agricultural sector needs state support.

According to experts, sustainable development indicators have three main functions. The first is to reduce the number of measurements required to obtain an accurate description of the situation, that is, to evaluate progress towards the goals and effectiveness. The second is to simplify the perception and discussion of positive and negative events by politicians, managers, the public and others. Third, they are crucial to the development of process management policies (horizontal and vertical) and can facilitate vertical integration, once tested in all European countries.

Analyzing the system of indicators introduced in EU countries, we can draw a number of conclusions that should be taken into account when developing indicators in Ukraine.

1. First of all, the idea of a multilevel sustainable development indicator system should be singled out.

2. The second is the number of sustainable development indicators.

Among the 32 countries in Europe, there is a wide range of variations in the number of indicators from 12 for France to over 150 for Italy, Latvia.

3. Third, it is the choice of methodology that should take into account the availability and comparability of different indicators at different territorial levels, as well as the proportion between the number and quality of indicators representing different aspects of sustainable development.

There were many attempts to develop the Sustainable Development Strategy of Ukraine. For a long time, Ukraine was one of the few countries that did not adopt this concept.

In the context of the uncertainty over the adoption of the Sustainable Development Concept, an important positive role should be played by indicators of the sustainability of Ukraine at the national and regional and local levels.

The draft Sustainable Development Strategy of Ukraine for the period up to 2030 was discussed in June-December 2016. at regional and national consultations attended by representatives of public authorities and local self-government in all regions of Ukraine, deputies of various levels, scientists and educators, representatives of civil society institutions, professional associations, business, mass media, experts of international organizations.

Considering national interests and energy security, renewable energy should be considered as a priority area of energy development in Ukraine. Bioenergy could satisfy a considerable part of the energy needs of Ukraine's housing and communal services. In addition, contaminated land that is unfit for agricultural crops could be used to grow energy crops. The development of bio- and renewable energy could help to solve many environmental problems.

The urgency of using biomass as an energy source is extremely high. The use of biomass as fuel will allow the development of new businesses – the procurement of local fuels with the involvement of small and medium businesses; to save considerable money on the purchase of traditional energy sources.

World experience in stepping up sustainable development policy shows that its effectiveness can only be ensured if the following conditions are met:

- sufficiently developed strategic potential, and in its composition – the volume of raw-resource, factor, macro- and potentials of system-universal functioning to obtain synergistic effect from their involvement in transformation processes;

- developed market and internal institutional infrastructure as a condition for ensuring the organic nature of the implementation of measures to activate processes in the area of capacity-building for sustainable development of the state;

- acquisition by organizational and communication structures of management of sustainable development of signs of system stability, or reliability of functioning, and within their limits – the density of interconnections and mutual stimulation between the subjects of these structures.

That is, for Ukraine the initial conditions for sustainable development can be recognized as providing:

- economic development supported on the basis of a modified market system;

- natural and environmental sustainability based on the theory of biotic regulation of the environment;

- close international cooperation and cooperation to achieve the goals of sustainable development;

- sustainable social development based on the principle of justice;

- greening of the public consciousness, based on the use of the education system and the media.

Ukraine's sustainable development requires the creation and development of self-governing, independent local communities to halt the degradation of the Ukrainian village. In the context of the reform of the decentralization of power, ensuring a sustainable, competitive development of the united territorial communities is a key element in reforming the national economy.

Excessive and long-lasting financial, administrative centralization has caused the deficit and subsidy nature of most local budgets. This made it impossible for local governments to accumulate sufficient resources to implement innovative development programs, support social and communal infrastructure, as well as innovations in the agricultural sector and other economic sectors.

The prospective plans approved by the Government of Ukraine indicate the formation of more than 1,200 united territorial communities within the framework of the decentralization reform in the coming years. There are currently 830 units.

Regardless of the type of community, the main areas of its socio-economic development are entrepreneurship, promoting local business, effective regulation; attraction of investments, grants, donor assistance; support for local producers, production of consumer goods; raising the

level of income of the population and its employment, social protection of citizens; ensuring public access to quality education, health care, social services; implementation of energy-saving measures in the budgetary sphere, stimulation of the population for energy saving, use of alternative energy sources, separate garbage collection; improving the environment, ensuring environmentally-friendly use of natural resources, increasing responsibility for environmental offenses, including the organization of unauthorized landfills.

Ukraine's potential as one of the largest agricultural producers in Europe is extremely large, but unfortunately it is not fully realized. As the experience of European countries shows, effective agricultural activity can occur under the conditions of functioning of the market of agricultural lands, which allows producers to acquire agricultural land for ownership on a competitive basis and to use them more rationally with care as their property.

Since 2002, a land moratorium on agricultural land has been in place in Ukraine, which prohibits market transactions for the vast majority of agricultural land in the country.

In November 2019 The Verkhovna Rada of Ukraine voted in the first reading for the bill No. 2178-10, which abolishes the moratorium on the sale of agricultural lands.

Agrarian enterprises, which are owners or ultimate beneficiaries of which are foreigners and have been operating in Ukraine for more than 3 years and lease the land, after the law comes into force, will be able to buy this land. However, as current tenants, they will, under the same law, have a pre-emptive right to purchase land.

International financial partners of Ukraine, experts and the government believe that during the moratorium in Ukraine there was a shadow market of land on which corruption schemes are actively used, and the lack of competition led to a drop in rent.

Only 30% of citizens are positive about land sales.

A necessary condition for the formation of the Ukrainian land market is the transformation of public opinion, psychology of people regarding private ownership of land. Of great importance is the quality of provision of information to the masses of the population, especially those of its strata, whose response influences the course of the reform. Without information component, market infrastructure cannot exist. The main component of information support for the land market is public information through the media.

Ukraine's transition to sustainable development requires the

establishment of a sustainable development institute, as environmental degradation continues and the formation of socio-economic development programs is still being done without taking into account the principles, criteria and indicators of sustainable development. At the same time, sustainable development involves the formation of cost-effective development strategies based on modernization and the use of energy-efficient technologies that provide a triple effect: economic, environmental, and social.

In summary, it should be noted that the development of state regulation of agroindustrial complex in the context of Ukraine's sustainable development strategy is hampered by the difficulties characterized by the overall difficult political and economic situation in the country, unjustified administrative barriers, corruption and over-regulation. The fragile land market, coupled with the low level of education and shortage of young, business, innovative farmers, is holding back the formation of an efficient agricultural business structure and is undermining the potential for productivity gains and diversification in the agricultural sector. The country was ranked 96 out of 189 in the World Bank's Doing Business ranking. Despite a slight increase in the rating due to reforms registered in 8 spheres, Ukraine still lags behind all countries in the region. At the same time, the agricultural sector of the economy has a strong potential that can be activated provided the Strategy for Sustainable Development of Ukraine is implemented.

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**METHODOLOGICAL
INSTRUMENTS FOR
FORMATION AND
USE OF FINANCIAL
RESOURCES OF
INSURANCE
COMPANIES IN
UKRAINE**

At the present stage of the development of social relations a priority form of insurance protection is insurance as a guarantee to ensure sustainable socio-economic development. In this case, financial resources are the main source of potential of insurance companies, which in turn are aimed at achieving effective activity, and therefore reliable insurance protection in the process of providing services. In Ukraine, they are represented by an aggregate of temporarily free cash

of the insurer, which are in economic circulation and used for carrying out insurance operations and realization investment activities.

The formation of financial resources of an insurance organization occurs as a result of its implementation: operating (current insurance), financial and investment activities. Operating activity – operations related to the production or sale of goods and services that are the primary purpose of creating an enterprise and provide the bulk of its revenue. Investment activity is the acquisition and sale of long term assets and other investments that are not cash equivalents. Financial activity is activity that causes changes in the size and composition of the invested capital and loans of the enterprise [1, pp. 86-87]. The main source of formation of financial resources of the insurer is insurance premiums (insurance payments), which are related to the main activity of the insurance organization.

As well as formation, use of financial resources of the insurer occurs as a result of carrying out the basic (insurance), financial and investment activities. That is, the use of financial resources of the insurer is a waste of money during its activity.

The analysis of sources for formation on directions of use of financial resources of insurance companies should be carried out using the method of horizontal and vertical financial analysis.

The essence of horizontal analysis lies in the comparison of indicators reporting previous and current year. At the same time, is carried out by-line comparison of reports and determined absolute and relative changes of the articles. Horizontal analysis allows reveals the absolute and relative dynamics of each article of financial statements, changes in the property and financial state of the company, the dynamics of income and costs. And when conducting vertical analysis, the whole part is equal to 100%, and calculated the specific gravity of each of its components. In whole are accepted the balance sheet sum (asset, liability), the amount of realization of the statement of financial results. With help this method of analysis they find out what percentage in a group or subgroup is used of a particular article that allow to determine the impact of indicator this article on activity enterprise. By means of vertical analysis it is possible to determine, by the increase or decrease of which articles, change the general indicators of the property state and financial result of the enterprise [2, p. 163].

To objectively evaluate the financial state of insurance organizations, we supplement the analysis with a coefficient method. R-analysis or the calculation of financial coefficients is based on the calculation a system

of coefficients that reflect different aspects activity of the enterprise and take into account the factors of internal and external influence on the financial state of the enterprise. In assessing the financial state of an enterprise this method uses either the indicators of the entire aggregate activity of the enterprise or their designated group, while expanding the composition of the coefficients [3, pp. 137-138]. In our case, the coefficient analysis will be conducted in the following areas – the assessment of financial stability, solvency, investment attractiveness and efficiency management of capital of an insurance company.

Financial stability characterizes the result activity of the company, serves as an important indicator in making decisions by potential insurers when choosing a reliable insurer, and is also the object of close attention by the regulator [4]. Each stakeholder needs to evaluate the financial stability of an insurance company.

Analyzing financial stability should be assessed the liquidity of an insurance company. With help a financial indicators system that allow compares the value of current assets with varying degrees of liquidity to the amount of current liabilities.

The overall liquidity ratio indicates the sufficiency resources of the insurer that can be used to settle current liabilities, i.e. how much hryvna circulating capital equals to 1 UAH current liabilities The peculiarity of the calculation of liquidity indicators in insurance companies is that current liabilities are added to insurance reserves, which is related to the specific activity of insurance companies. A normative value can be considered ratio greater than 1.

The next calculation coefficient is the quick liquidity ratio, which shows which part of the current liabilities the company can repay at the expense of the most liquid current assets – cash and cash equivalents, financial investments and accounts receivable.

The absolute liquidity ratio shows how much of an obligation the insurer is able to repay immediately without expecting payment of accounts receivable or sale of other assets [5]. The normative value of the coefficient is set at a level greater than 0.

To effectively assessing financial stability need used two approaches. The first of these is to determine the ratio of debt to equity capital. According to the second approach, an insurer is financially sound if it has sufficient own current assets.

Indicator of financial autonomy is often considered to be one of the most important, because its value indicates what part of its assets a company is able to finance at the expense of its own financial resources [6].

The financing ratio shows how much hryvna of equity capital equals to 1 UAH of debt and indicates the company ability to meet its obligations in the medium and long term. The normative value of the indicator is in the range of 0.67-1.5.

Equity circulating capital ratio belongs to the group of financial stability indicators according to the second approach stated earlier and is an indicator ability of the company to finance circulating capital at the expense of its own circulating capital [7]. The normative value is 0.1 and above.

An important factor in forming the competitive environment of an insurance company is the level of payments. This coefficient characterizes the ratio of paid insurance compensation and received insurance premiums.

The most important condition for the solvency of an insurer under current law is the excess of the effective solvency margin (ESM) over its normative stock (NS). To determine whether an insurance company is solvent it is necessary to calculate the following indicators.

The actual solvency margin (net assets) of the insurer is determined by deducting from total assets (A) the insurer the intangible assets (IA) and the total liabilities (L), including insurance. Insurance liabilities are accepted equal to the amount of insurance reserves that the insurer is obliged to form.

The regulatory solvency margin of an insurer that providing types insurance other than life insurance at any date is greater than the specified values, namely:

- first – calculated by multiplying the amount of insurance premiums (IP) for the previous 12 months by 0.18. In this case, the amount of insurance premiums is reduced by 50% of the insurance premiums owed to reinsurers (IPR);

- second – calculated by multiplying the amount of insurance payments (IP) for the previous 12 months by 0.26. In this case, the amount of insurance payments is reduced by 50% of payments reimbursed by reinsurers (PRR) [6].

An important place in the activities of insurance companies is investment activity, which is very useful assessment, as it can determine how well the company uses its investment potential and in what directions to invest better. Considering the information presented in the financial statements of insurers, when assessing the use of investment potential it is important to consider the following criteria:

- first, the effectiveness of both investment activity and economic

activity as a whole, which will allow to study the impact of asset placement on the formation of the overall profitability of the company;

- secondly, the ratio of assets of different levels of liquidity to the sources of their financing;

- thirdly, diversification of individual elements of capital and investment;

- fourth, the dynamics of assets and investment portfolio.

According to O.O. Poplavskiy, the effectiveness of using the investment potential of an insurer can be determined using 10 indicators grouped into blocks “Income”, “Liquidity”, “Diversification” and “Dynamics” [8]. Having analyzed the work of such scientists as Kryventsova A.M., Pavlovska O.V., Yermoshenko A.M., we have selected 5 additional indicators, 2 of which are grouped in the block “Insurance reserves” for analysis (Table 2.1) [9, 10].

Table 2.1

Indicators for assessing the level of used the investment potential of an insurer

No	Indicator	Calculation formula
1	2	3
Block «Income»		
1.	Return on equity	$100 \% \times (\text{Net profit}) / (\text{Average amount of equity during the year})$
2.	Return on investment	$100 \% \times (\text{Financial result from financial activities}) / (\text{Average amount of financial investment during the year})$
3.	Profitability index of insurance reserves placement	$100 \% \times (\text{Financial result from financial activities}) / (\text{Average amount of net insurance reserves during the year})$
4.	Profitability ratio of reinsurance operations	$100\% \times (\text{Reinsurance premiums} / \text{Amount of premium shares paid to the reinsurers})$
Block «Liquidity»		
5.	Asset liquidity ratio	$100 \% \times (\text{Highly liquid assets}) / (\text{Liability})$
6.	Indicator of coverage of liquid assets of insurance reserves	$100 \% \times (\text{Highly liquid assets}) / (\text{Net insurance reserves})$
7.	Indicator of coverage of liquid assets and investment of insurance liabilities	$100 \% \times (\text{Financial investments excluding equity participation}) / (\text{Net insurance reserves})$
Block «Diversification»		
8.	Equity participation	$100 \% \times (\text{Investments in subsidiaries}) / ((\text{Financial investments excluding equity participation}) + (\text{Investments in subsidiaries}))$
9.	Share of insurance reserve in assets	$100 \% \times (\text{Net insurance reserves}) / (\text{Assets})$
10.	Ratio of investment and cash to total assets	$100\% \times (\text{Investments} + \text{Cash}) / (\text{Assets})$

Table 2.1 (continued)

1	2	3
Block «Dynamics»		
11.	Asset growth rate	$100\% \times ((\text{Assets at the end of reporting period}) / (\text{Assets at the beginning of reporting period}) - 1)$
12.	Growth of investment portfolio	$100\% \times ((\text{Financial investments}) / (\text{Financial investments at the beginning of reporting period}) - 1)$
13.	Growth of net insurance premiums relatively growth of net insurance reserves	$100\% \times (\text{Increase in net insurance premiums} / \text{Increase in net insurance reserves})$
Block «Insurance reserves»		
14.	Deficit / excess insurance reserves	$(\text{Insurance reserves for the previous year} \times \text{Earned the insurance premium this year} / \text{Earned insurance premium for the previous year}) - \text{Actual amount of insurance reserves formed}$
15.	Ratio of investments and cash to the size of insurance reserves.	$100\% \times (\text{Investments Cash} / \text{Insurance reserves})$

Source: developed by the authors based on [8], [9], [10]

The proposed indicators are calculated on the basis of indicators the financial statements, in particular, using Form 1 “Balance Sheet (Statement of Financial Position)” and Form 2 “Statement of Financial Results (Statement of Comprehensive Income)” (Table 2.2).

The calculated values of the mentioned indicators are estimated on the appropriate scale (Table 2.3).

Table 2.2

Baseline data to determine the insurer’s investment potential rating

No	Indicator	Content	Formula
1	2	3	4
1.	Assets	Company assets on balance sheet	F1: (p. 1300)
2.	Highly liquid assets	Cash and cash equivalents	F1: (p. 1165)
3.	Equity	Equity on balance sheet	F1: (p. 1495)
5.	Net insurance Premiums	Net earned insurance premiums	F2: (p. 2010)
4.	Liability	Liability on the balance sheet	$F1: (p. 1595) + (p. 1695) + (p. 1700)$
6.	Insurance payments	Net losses incurred on insurance payments	F2: (p. 2070)
5.	Investments in subsidiaries	Long-term financial investments that are accounted for using the equity method of other enterprises	F1: (p. 1030)
6.	Financial result from financial activities	Income from participation in equity and other income minus losses from participation in equity and other losses	$F2: (p. 2200) + (p. 2220) + (p. 2240) - (p. 2250) - (p. 2255) - (p. 2270)$
7.	Financial investments	Cash and financial investments	$F1: (p. 1030) + (p. 1035) + (p. 1160) + (p. 1165)$

Table 2.2 (continued)

1	2	3	4
8.	Financial investments excluding equity participation	Cash and financial investments (excluding equity participation)	F1: (p. 1035) + (p. 1160) + (p. 1165)
9.	Net profit	Net profit (loss) in the reporting period	F2: (p. 2350) a6o (p. 2355)
10.	Net insurance reserves	Insurance reserves on the balance sheet less the reinsurers' share of insurance reserves	F1:(p. 1530) – (p. 1180)
11.	Reinsurance premiums	Obtained for reinsurance of insurance premiums	Reinsurance

Source: developed by the authors based on [8], [9], [10]

Also, great importance in the analysis of the condition of the insurance company is evaluation of the insurer's capital management with its help it will be possible to determine, in effect, the effectiveness of the capital management.

Table 2.3

The scale of assessment the level of use the investment potential of the insurer

No	Indicator	Estimation		
		Good	Satisfactorily	Unsatisfactorily
1	2	3	4	5
1	Return on equity	[IGS; +∞)	[0; IGS)	(-∞; 0)
2	Return on investment	[IGS; +∞)	[0; IGS)	(-∞; 0)
3	Profitability index of insurance reserves placement	[IGS; +∞)	[0; IGS)	(-∞; 0)
4.	Profitability ratio of reinsurance operations	[IGS; +∞)	[0; IGS)	(-∞; 0)
5.	Asset liquidity ratio	[95 %; +∞)	[65 %; 95 %)	[0 %; 65 %)
6.	Indicator of coverage of liquid assets of insurance reserves	[max (80 %; AV); +∞)	[min (80 %; AV); max (80 %; AV))	[0 %; min (80 %; AV))
7.	Indicator of coverage of liquid assets and investment of insurance liabilities	[max (170 %; AV); +∞)	[min (170 %; AV); max (170 %; AV))	[0 %; min (170 %; AV))
8.	Equity participation	[0; 1 %]	(1 %; 10 %]	(10 %; +∞)
9.	Share of insurance reserve in assets	[0; min (30 %; AV)]	(min (30 %; AV); max (30 %; AV)]	(30 %; +∞)
10.	Ratio of investment and cash to total assets	[0; min (30 %; AV)]	(min (30 %; AV); max (30 %; AV)]	(30 %; +∞)
11.	Asset growth rate	[max (0 %; AV); +∞)	[min (0 %; AV); max (0 %; AV))	(-∞; min (0 %; AV))
12.	Growth of investment portfolio	[max (0 %; AV); +∞)	[min (0 %; AV); max (0 %; AV))	(-∞; min (0 %; AV))

Table 2.3 (continued)

1	2	3	4	5
13.	Growth of net insurance premiums relatively growth of net insurance reserves	$[\max(0\%; AV); +\infty)$	$[\min(0\%; AV); \max(0\%; AV)]$	$(-\infty; \min(0\%; AV))$
14.	Deficit / excess insurance reserves	$(1; +\infty)$	$(0; 1)$	$(-\infty; 0)$
15.	Ratio of investments and cash to the size of insurance reserves.	$[\max(150\%; AV); +\infty)$	$[\min(150\%; AV); \max(150\%; AV)]$	$[0\%; \min(150\%; AV)]$

where, IGS – income of government securities in the primary market;

AV – average value of the relevant indicator in the market.

Source: developed by the authors based on [11], [12], [13]

Based on the study of the methods of rating evaluation of the insurer's activities, developed by the state regulator, have been allocated 9 financial coefficients and has been developed a scale of their evaluation, which provides the creation of an information base for the evaluation of managerial decisions regarding the sufficiency and efficiency of the use of capital (Table 2.4).

Table 2.4

Indicators evaluation of the capital management of an insurer

No	Financial coefficient	Calculation formula	Recommended value
1	Capital autonomy	$100\% \times (\text{Equity}) / (\text{Assets})$	No less 50 %
2	Ratio equity to insurance reserves	$100\% \times (\text{Equity}) / (\text{Insurance reserves})$	No less 30 %
3	Insurance risk	$100\% \times (\text{Equity}) / (\text{Insurance premiums})$	No less 30 %
4	Ratio of insurance premiums to payments	$100\% \times (\text{Insurance premiums}) / (\text{Insurance payments})$	No less 100 %
5	Sufficiency of insurance reserves (based on premiums)	$100\% \times (\text{Insurance reserves}) / (\text{Insurance premiums})$	No less 100 %
6	Sufficiency of insurance reserves (based on payment)	$100\% \times (\text{Insurance reserves}) / (\text{Insurance payments})$	No less 100 %
7	Rate growth assets insurer	$100\% \times ((\text{Assets insurer at the end period}) / (\text{Assets insurer at the beginning period}) - 1)$	No less 0 %
8	Rate growth capital insurer	$100\% \times ((\text{Equity insurer's at the end period}) / (\text{Equity insurer's at the beginning period}) - 1)$	No less 0 %
9	Rate growth insurance reserves insurer	$100\% \times ((\text{Insurance reserves at the end period}) / (\text{Insurance reserves at the beginning period}) - 1)$	No less 0 %

Source: [14]

For a more detailed analysis it is advisable to define an integrated assessment of the insurer's capital management. To do this for each indicator that meets the recommended value, the company receives a score of 1, for each indicator that does not meet these values, the score is 0 (Table 2.5).

Table 2.5

The scale evaluation of capital management

Rating	Value of the overall score	Characteristic
A	7-9	The company is characterized by a high level of capital management and has significant potential to growth
B	4-6	The company is characterized by an average level of capital management and has a potential to growth compared to other insurers
C	1-3	The company is characterized by a low level of capital management and has no significant potential to growth

Source: [14], [15]

Therefore, using the above methodology, we can try analysis the dynamics and structure of sources of formation and directions of use of financial resources of insurance organizations, assessment of financial stability, solvency, level of use of investment potential and efficiency of capital management of insurance companies in Ukraine.

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**IMPACT OF LATEST
PROCESSES IN
HOSPITALITY
INDUSTRY ON THE
DEVELOPMENT OF
CONSOLIDATED
TERRITORIAL
COMMUNITIES**

Development of hospitality industry in Ukraine has certain peculiarities in current conditions of authorities' decentralization: change of tendencies at services market, fierce competition between economic entities and growing consumers' requirements to the obtained services. Therefore, the innovative approach to business in the domain is the necessary precondition for efficient functioning of enterprises in industries included in the hospitality industry at some territory. Implementation of innovative products will promote efficient use of all opportunities for qualitative services and maximizing of the capacity of hospitality companies' activity. It will also contribute to revenues to local budgets from taxes payed by operating companies and will secure jobs.

Innovative activity is actually the only mean to secure maintaining of competitive level for any economic system. Innovative activity represents a considerable condition of survival of any company at the territory of more complex economic system in competition, and its scales and nature guarantee its successful development [1].

That is why the research of the subject is relevant nowadays.

Currently newly created communities have started paying special attention to great hospitality capacity of their territories in conditions of decentralization. In its turn, local governance reform urges to use it to attract investment and boost development. It also positions hospitality industry as an instrument that can become the beginning of a community's comprehensive development.

Similar mechanism of economic growth was used by a range of territorial entities (communities) in the countries of the Eastern Europe. At first, tourists become interested in historical sites or unique objects, further the demand exceeds the supply and generates the global need for

infrastructure development. Therefore, consolidated territorial communities (CTCs) start understanding and using all advantages of their hospitality capacity, increasing the interest in tourism development, attracting investment and improving their image.

However, the mechanism doesn't always work in the realities of Ukrainian society. In many cases the CTCs lack complex approach to hospitality management at local level and overall strategic vision of its development. It is about implementation of basic functions of hospitality management, namely: planning, organization, motivation and control at the level of CTCs.

The components of hospitality industry are the following: hotel economy (hotel business), which includes many companies (hotels, motels, campings, etc.) intended for a certain number of clients and providing a respective level of services based on their solvency; restaurant business (chains of restaurants, cafes, fast food establishments and other catering establishments); tourism business (travel agencies); transport companies (airports, railways, cars, etc.), which provide various types of transportation services; medical facilities that can provide necessary medical assistance; sport facilities (sports centers, swimming pools, gyms) that help maintaining good physical condition; social-cultural establishments (museums, exhibition halls, theatres, concert halls, libraries, etc.) that contribute to meeting the spiritual needs of people [2].

The following are the main problems of hospitality industry: discrepancy between pricing policy and quality of provided services; complicated conditions of doing business caused by bureaucracy in organization process of functioning of hotel companies; great tax burden; high risk level of investments due to unstable socio-economic situation in the country; high level of competition at the hotel services market; low level of specialists training in the industry.

In current realities we can often observe the situation, when the communities do not know how many tourists are currently hosted by a community and how many it will be able to host after construction of, for example, a new tourism and recreation center or other infrastructural facility of hospitality industry. They do not know whether all the tourism infrastructure turns out to be lossmaking. However, investors, who can count their money just fine, are in the first place interested in an opportunity of making profit. Numerous tourism development strategies almost each community can brag about are hardly ever implemented in practice. Many communities also limit themselves to the

steps that do not commit themselves to anything, and therefore, they do not bring any benefit.

The situation occurs, to a large extent, due to the lack of necessary knowledge on business planning, spatial development not only for the officials of local governments, but also for the community residents. Meanwhile, the latter are one of the most important stakeholders in the process of hospitality management at local level and in the end they have most benefits from the activity. Indeed, the practice shows that at the initial stage of forming of tourism and hotel product the community residents are the most devoted consumers and best promoters. Establishment of dialogue between the players on the tourism market is the key issue in this matter: it is necessary to develop qualitative communication between the representatives of authorities, community and business to show the advantages of tourism development that will be opened for them through the economy of the industry.

On the other hand, calculation of the effect of the carried out activity should become rather the most important element of hospitality management at local level. Will creation of certain hospitality infrastructure be beneficial for the community? Won't it remain empty? It is also important to examine the location of hospitality facilities, assess their distance to the border and other attractions, quality of roads, etc. We should mention that such calculations are mandatory to receive grants as one of the most common instruments to invest in tourism and recreation industry of CTCs.

We should not forget about the availability of tourists nowadays, in the current period of community development, because the tourists staying for two hours are also beneficial for the CTC's economy. Community can profit from them, but not enough, because they have too little time to spend any money substantial for budget. Therefore, each community needs to develop its hospitality in such a way that a tourist stays for at least one night. However, for the matter, the tourist should be offered not facilities, as it is done in the most CTCs, but the complex touristic product with the system of services.

Novomiska consolidated community in Lvivska oblast started working in such a direction and received € 900 000 from European Union to implement a very unusual tourism ethnoproject "COWBOYky: Ukrainian Wild West" [3]. It should be emphasized that establishment of Economic Development School in the community that would prepare personnel for touristic town – waiters, sellers, administrators, etc. – was one of mandatory conditions for money allocation.

Innovations implementation in domestic practice faces the range of buffers, namely:

- risk of investment losses;
- lack of experience on innovations introduction;
- limited financial resources of most enterprises;
- subjective attitude to innovations of both entrepreneurs and service personnel;
- lack of innovations stimulation by state;
- cost of innovations;
- adaptation of a company to innovative developments;
- opportunity to gain additional income in future (managers are mostly focused on income from current operations) [4; 5].

Hospitality entities should carry out efficient planning of general activity and planning of innovative activity in order to efficiently introduce and use innovations, which is realized through application of innovation development strategy that contributes to efficient granting of services and helps being competitive in fierce market conditions.

Applying the strategy of a hotel business company's innovative development, it is necessary to comply with the following stages:

- setting the goals and tasks of innovative activity;
- forming of innovation strategy of a hotel business company;
- complying with innovative policy;
- long-term investment prognosis;
- allocation of a company's resources for innovative activity;
- development of strategic plans of a hotel's or a hotel complex's innovative activity;
- applying of benchmarking;
- analysis of the selected strategy [5].

The following are the main tasks of innovative activity development: creation of institutional conditions for integration of scientific, innovative and productive economy domains; transforming of scientific domain into the active factor of accumulating innovative capacity of the country; forming of efficient innovative infrastructure.

Therefore, tourism and hotel management can be a substantial source of earnings for many Ukrainian CTCs. They are among the most common directions of hospitality development. Each year more Ukrainians become interested in domestic travel inside the country, and this is the first and the major signal to develop hospitality industry in the newly created CTCs. We shouldn't also forget about foreigners, who discovered Ukraine after Euro-2012 or Eurovision Song Contest. These

are the periods with the largest tendencies of foreign tourists. That is why the CTCs' development should be based on the development of their touristic jewels. According to State Statistical Service, 14.3 million foreigners visited our country last year. Most foreigners came from Moldova (4.4 mln.), Belarus (2.7 mln.), Russia (1.5 mln.), Poland (1.1 mln.) and Hungary (1.06 mln.) [6]. Therefore, there is the demand from the viewpoint of both domestic and foreign tourists and there is the annual growth dynamics. So the qualitative supply should be formed on the market not to lose the clients.

Lviv and Bukovel are the most famous tourism centers in Ukraine nowadays. However, more and more Ukrainians and foreign tourists become interested in other regions, where they search for unknown yet Ukrainian gems. In consequence, many Ukrainian media create projects, where they speak about unknown sites that can be interesting for tourists. That is how the project Ukraïner emerged [6]. Its participants are traveling Ukraine and showing its attractions.

It is worth mentioning that intellectual directions of innovations are the major elements of hospitality development in CTCs, which stipulate the use of professional skills of a hospitality industry company's staff and creation of conditions for their development.

Main tasks of these directions are:

- to select professionally trained personnel in accordance with the company's activity sphere;
- to train and retrain interns and employees through holding of seminars, round tables and online conferences;
- to form and adhere to internal corporate culture at the enterprise and to develop a special approach to communication and customers services for the personnel.

Innovative directions of hospitality industry development in CTCs are focused on improvement of existing products sold on the market and development of new products and use of advanced technologies. The following are the major innovative directions of hospitality industry development: organizational-managerial, material-technical, intellectual, technological, infrastructural.

We should mention that each community has objects that can draw the tourists' attention, however it is not enough for complex management of hospitality activity. There is a need for specific actions of local authorities, the most efficient of them, to our point of view, can be tax holidays, creation of clusters by certain direction of hospitality industry, development of municipal companies in tourism and hotel

business, establishment of dialogue between authorities, business and residents, etc. On the other hand, tourists won't be long in coming if the roads and other infrastructural facilities are arranged.

Therefore, close cooperation of entities that are directly or indirectly related to hospitality management, deepening of their knowledge on efficiency of its organization and well planned and calculated solutions will definitely contribute to boosting of CTCs' hospitality industry and implementation of practical ideas for their growth.

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PREREQUISITES FOR THE FORMATION OF BUSINESS STRUCTURE IN THE CONTEXT OF ENTERPRISE DEVELOPMENT AREAS

Each enterprise is a complex, open socio-economic system that operates in a globalized external environment. In such circumstances, the operation of any enterprise is driven by two driving forces: the desire to survive (to preserve oneself, to have certain stability) and the desire to develop (self-improvement) [15, p. 6]. If only the desire to survive and maintain oneself as a complete financial and property complex is based on the functioning of the enterprise, then such activity can be effective only in a short period of time. Ensuring the stability of functioning and

competitiveness of the enterprise should occur in the long run (Fig. 2.2). To achieve this, qualitative and quantitative changes that can occur in two directions must be made at the enterprise: changes in the internal environment and changes in the external environment of the enterprise.

Changes in the internal environment of the enterprise can be made by:

- capacity building of the enterprise;
- improvement of business processes;
- increase of efficiency of activity of divisions of the enterprise;
- reorganization of the organizational structure of the enterprise
- reorganization of the enterprise management system, etc.

Internal changes are initiated and managed by an enterprise and depend on its internal capabilities.

– changes in the external environment of the enterprise can be made by:

- adaptation of the enterprise to negative environmental factors;
- adjusting the corporate strategy of the enterprise (strategic changes), etc.

External changes are a forced reaction of the company to the impact of the environment. They are not a difficult-to-manage enterprise and do not always depend on its internal capabilities.

Both internal and external changes must ensure progress in the activity of the enterprise, “as expressed in the process of transition from one stage, stage, stage to the next or transformation of a less perfect form into a more sophisticated one” [17]. Progress in the activity of the enterprise is the initial stage and leads to its development.

It is well known that the further functioning of an enterprise is possible only if it is developed. Development or growth is the second stage in an enterprise's life cycle. Both terms are considered by the researchers as identical. In addition, the term “growth” is also singled out in the economic literature. Growth is a stage in the life cycle of a product, characterized by the recognition of the goods by buyers, the rapid increase in demand for it. In this case, sales and profitability are increasing, advertising costs are stabilizing [11]. Development – the process of moving from lower to higher (to greater achievements), resulting in a change in the quality of the object, phenomenon, activity, the transition to a newer, more progressive [11]. Development is the irreversible, directed, regular changes of material and ideal objects [2, p. 409]. As a result of an enterprise's development, a new qualitative state of it emerges, as an object at which its composition or structure changes.

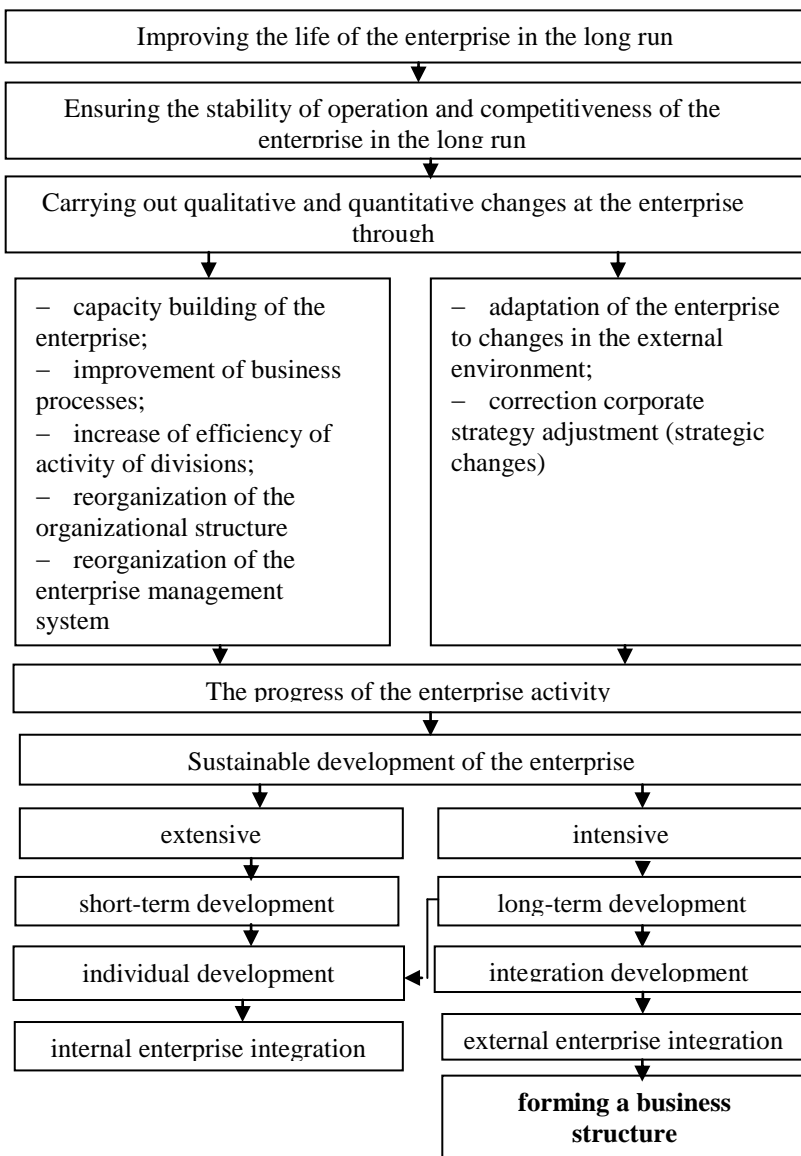


Figure 2.2 Prerequisites for forming an entrepreneurial structure in the context of directions of enterprise development

In this case, both the entity and the entity may manage to create, transform or destroy its elements or relationships. Development, as noted by Ilyin V.V. and Kulagin Y.I., this is change, movement [13, p. 120-123]. In the process of movement, as development a new, necessary, capable of self-movement, self-reproduction is created. In organized and integrated systems such as enterprise, self-movement is carried out as self-development. Self-development, as Vasylenko V.V. notes, is a transition to a higher level of organization [4, p. 363]. Self-development reflects the change of phenomena, things under the action of internal contradictions inherent in them, and external factors do not create movement, but only modify it.

Growth means quantitative increase of qualitative and quantitative indicators of activity of the enterprise, and development of the enterprise is improvement, qualitatively new direction of the future progress of its activity as a complex system. For the enterprise to develop means to become better, more perfect, to rise to a higher step. Thus, development is the general principle of explaining the existence of nature and society, as well as their knowledge. It occurs in the form of movement in a spiral, in unity and struggle of opposites, as the transition of quantity into quality [4, p. 364].

The development of an enterprise must be stable and occur in the context of the overall progressive movement of society, because the enterprise is a socio-economic system. Stability (from Latin *stabilis*) is the strength, immutability, bringing to permanence, a stable state or maintenance of this state, as well as the state of constancy, stability [16, p. 750]. Therefore, “no matter what role an enterprise plays at one stage or another, or in one or another socio-economic environment, transformation is always set by the general direction of social development” [4, p. 364]. Stability of enterprise development is defined by the term “sustainable development” and characterizes an object or system that is in dynamic motion, indicators and characteristics of which are qualitatively improving, growing and are in a positive dynamics of development in the long run [9]. According to the definition of the World Committee on Environment and Development at the UN sustainable development is a development that meets the needs of the present without harming the interests of the future [19, p. 5]. Sustainable development of the enterprise, as noted by Glinskaya A.E., is a process that is focused on the continuous improvement of the efficiency of the enterprise on innovative grounds with the simultaneous harmonization of economic, social and environmental interests by expanding the scope

of responsibility to society [9].

Sustainable development is a long-term process of continuous movement of the enterprise towards improvement, which is designed for a long period of time and maintenance of this state in the future. It is a progressive direction of enterprise development and is possible only if the internal environment of the enterprise is balanced and its adaptation to the destructive factors of the external environment. The destructive factors of the environment include: high level of competition from foreign producers, low purchasing power of the population, low investment attractiveness of domestic enterprises, lack of state support and others. Internal factors that impede the sustainable development of the enterprise include: outdated fixed assets, inability to transition to new innovative production technologies, low wages and motivation of staff, energy-intensive and environmentally polluting production, and others.

Sustainable development of an enterprise can occur in two directions: extensive and intensive development. Extensive development in the economy, as noted by Y. Pogorelov, means such development, which is aimed at using more resources, increasing the scale of activity, sales, etc. [18]. Extensive enterprise development, by definition Zagorodny A.G., is the development of production by attracting additional resources (materials, technology, labor, funds, etc.) [11]. In this direction, the enterprise develops individually as a separate entity. It is quantitative and short-term in nature because it is limited by the ability of an enterprise to attract additional resources. As soon as access and ability of an enterprise to use additional resources is suspended due to the impact of destructive factors, it will slow down the extensive development of the enterprise. However, the extensive development of the enterprise has an evolutionary nature, due to the gradual increase in the use of various resources at the enterprise. The result of extensive development is internal integration and capacity building of the enterprise.

Intense development in the economy, as noted by Pogorelov Y.S., understands such development, which is represented by the use of another technology or method of production [18]. It has a qualitative and long-term character. This way of enterprise development is transformational, because it is not possible if the company is not innovative.

If intensive development is based on ensuring the continued functioning of the enterprise, then such activity can occur in two

directions:

1. Individual development of the enterprise as an individual entity. Such development is possible provided the free access and provision of the enterprise with all the resources necessary for the functioning of the resources and the internal integration of unused development reserves.

Advantages of individual development of the enterprise are: improvement of business processes at the enterprise, increase of production volumes, expansion of directions of activity, entering new markets, and so on.

The disadvantages of individual development of the enterprise include: limited increase in production volumes available production potential of the enterprise; inability to expand activities, due to lack of necessary own resources and problems with their acquisition from external sources and other.

2. Integrative (collective) development of an enterprise, as an amalgamation of several enterprises of different forms of ownership. Enterprise integration is the result of external integration of several enterprises and / or economic entities, which is determined by the need to ensure long-term smooth functioning and sustainable development of enterprises in the context of globalization and limited access to exhaustive resources. The result of integration development is the unification of enterprises and the creation of new integration forms in the form of business structures. Business structure will mean the voluntary statutory or temporary merger of several enterprises of different ownership and (if necessary) individual entities (freelancers) into a single integrated complex open system that operates in a globalized environment, created on the basis of a combination of material and the intangible interests of the participating companies, acting on the basis of a memorandum or charter as a legal entity, with the aim of developing and commercializing innovative products (goods, works, cr), which increases the efficiency of integration and speeds development entities, forming a structure [22].

The main prerequisites for the formation of such structures in modern conditions are the following:

1. Permanent changes in the external and internal economic conditions of an enterprise, caused by instability of socio-economic processes in the national economy, to which it must constantly adapt.

2. The modern enterprise should go to the mega-scale, becoming a subject of international relations, by engaging in connection with peginal, topo-economic unions and emerging supranational institutions

(international organizations, transnational corporations). [12].

3. Increasing the convergence process, as a long-term whole-objective convergence of countries or regions, which occurs under the influence of the globalization process and the increase of the investment velocity. The term “convection” is coined to define globalization, keeping in mind the convergence of the peers of the peoples by the proximate call of points and peoples, if they are called.

Similarly, the level of development of a modern enterprise, which is gradually becoming a complex integrated business structure, should approach the level of competitiveness of the leading competitive business structures in the field of business.

4. Introduction of new ways of organizing production and marketing of products caused by the rapid development of new technologies, global processes of globalization and integration, which gradually transform the enterprise from an open socio-economic system, functioning at the micro level to a complex integrated business structure operating at the mega-scale globalized global space (such as Nestle, Wal-Mart, etc.) or the creation of virtual networked business structures (e.g. Google, Facebook, and others).

5. The need to combine all stages of scientific, technological, investment, production and marketing processes and the cooperation of interconnected specialized industries in terms of resource constraints and the need to reduce the cost of manufacturing a unit of production, which makes it possible to accelerate the production of the final innovative product.

6. The emergence of a unified system of international planning and pin-point distribution of material benefits in the near future, що є метою процесу глобалізації; the formation of a joint, world-wide recession (for a possible political and legal platform of the United Nations, etc.), which act as a solution to the management of international conflicts, within which a modern enterprise can function, provided to transformation (or merger) into a complex integrated business structure [12].

Given that the process of integration can take many forms in space and time, which is amplified and accelerated by the effects of world globalization processes, this leads to the formation of horizontally, vertically, globally and conglomerately integrated business structures.

As a result of the development of horizontal integration processes within the industry, integrated associations are formed under which they “often understand the aggregate of enterprises, which function as a

single system and have a common goal of management. At the same time, enterprises that are part of an integrated structure are integral financial-property complexes that can independently perform production and commercial operations, effectively carry out economic and financial activities and be competitive in the market” [20].

Advantages of horizontally integrated business structures are:

- expansion of the product range and / or extension of services;
- increase in sales of products on the market;
- increase of efficiency of production capacities of enterprises that are integrated;
- expanding production;
- decrease in production cost due to economies of scale, quality improvement;
- reducing competition in the industry by combining competing businesses.

The main disadvantages of horizontally integrated business structures include the excessive monopolization of the industry due to the merger of several enterprises and the formation of a larger structure, which is gradually expanding trying to occupy an increasing market share in order to become a monopolist in the industry, to displace competitors, especially small businesses to enter new businesses in the industry.

The development of vertical integration processes causes the formation of vertically-integrated business structures in the form of:

- integrated structures based on the union of capital and labor of individuals and legal entities;
- plants with complete technological cycle, starting from production of production, primary and deep processing, and ending with its realization to individual consumers;
- integrated structures based on the contractual system of relationships between manufacturers, processors and marketing organizations;
- inter-branch associations created without forming a legal entity;
- holdings in which the enterprises are merged, retaining their status as a legal entity, but partially or completely losing their independence, subject to control over the production and trading activities of the founding organization, which is an investor providing financial resources and managing financial resources;
- an integrated corporation as a model of the internal market, and

its structure acts as a system of interaction between business entities [21, p. 311].

Advantages of vertically integrated business structures include:

- cost savings from integrated industries, reduced specific costs of manufacturing finished products, and cost savings from the use of third-party contractors and intermediaries; reducing transaction costs and reducing indirect taxation of intermediate products;
- the cost price of the finished product will be much lower than that of the competing independent enterprises;
- efficiency in the redistribution of material and financial resources between enterprises; the ability to implement large capital-intensive projects through the consolidation of primarily financial resources;
- improving quality control;
- protection of own technology and development;
- reducing the level of uncertainty of functioning;
- greater stability and less dependence on negative changes in the environment;
- restricting competition by monopolizing supplies of raw materials and semi-finished products, as well as distribution channels; prevailing positions in competition by controlling all stages of movement of goods [14].

The disadvantages of vertically integrated business structures are:

- restrictions on the enterprises within such a structure in the freedom to choose suppliers, especially in the context of formal integration, where the consumer enterprises are routinely attached to suppliers;
- the presence of capacity balancing issues at each stage of the value chain. If, with real integration, supply chain capabilities are insufficient for production, the missing components must be purchased on the side. On the other hand, if the production possibilities in one of the units exceed the needs of the other, the surpluses can be sold;
- reducing the productive flexibility of integrating businesses and increasing the time it takes to develop new products and market them. Manufacturers who frequently update their products are constantly developing new and improving outdated products in line with consumer demand, considering formal integration in the production of parts and components to be unprofitable;
- increasing the investment in the cross-industry chain instead of channeling financial resources to other areas that may be more

profitable.

Enterprise-wide integration processes on a global scale are “largely based on the activities of large business entities – giant corporations” [6]. Such corporations are commonly known as transnational corporations. According to the American business magazine Fortune [24], which annually publishes the Global Rating “Fortune Global 500”, there are 500 large multinational companies in the world. Only global corporations with at least \$ 1 billion in sales are considered for analysis and a share price of at least \$ 5 per unit as well as available to US investors. It also uses indicators of income, net income, asset values over the last 12 months and the market capitalization of a corporation [23].

The advantages of globally integrated business structures include:

- consolidation of diverse resources and industries with the formation of a large structure with a parent company and branches worldwide;

- use of balance sheets of foreign branches in agreement of the parent company;

- the possibility of transferring and adapting production to the national conditions of countries with cheap raw materials and low-paid labor;

- overcoming the internal market constraints and entering the business structure into international markets;

- avoidance of customs restrictions;

- obtaining a higher level of income in low taxation countries and / or in offshore areas;

- capital inflow into the TNC’s headquarters country;

- attraction of new technologies;

- development of knowledge-intensive production;

- ensuring employment in the countries where the TNCs are located.

The disadvantages of globally integrated business structures are:

- the export of capital and profits to the country where TNC headquarters are located;

- the transfer of environmentally harmful production to underdeveloped countries;

- one-sided specialization of national production;

- influence on the activities of the governments of the countries where the TNCs are located low labor remuneration.

To date, entrepreneurial structures, as domestic researchers prove in their works Gershanok G.A., Shishkin D.G. and foreign researchers D.A. Glushich, A.V. Orlova is multilevel in nature. They are structured not only horizontally, but also vertically – corporate, municipal, federal and interstate levels and structures can be formed vertically, bypassing these stages. That is, “corporate associations and individual enterprises can be part of inter-country business structures” [7, pp. 63-69; 8]. In this way conglomerate-integrated business structures are formed.

The advantages of conglomerate-integrated business structures are the accumulation of benefits both horizontally and vertically integrated business structures and the possibility of developing integrated enterprises simultaneously in different directions. The major disadvantage of such structures is the complexity of the management processes within a large conglomerate.

The external integration of several enterprises and (or) entities takes place as a business consolidation through mergers, mergers, acquisitions and partnerships, which results in the formation of a new business structure.

A business structure in the form of an association of enterprises is an economic organization, the activity of which is governed by the Economic Code of Ukraine and “formed within two or more enterprises to coordinate their production, scientific and other activities to solve common economic and social problems” [10]. Business associations of Ukraine, which are regulated by the Economic Code, include: associations, corporations, consortia, concerns, as well as other forms of business associations provided by law.

Mergers and acquisitions (in Ukraine’s accession) is one way of reorganizing enterprises in difficult economic conditions or terminating their operations, a way of implementing one of the participants' corporate strategy and an increasingly important tool for redistributing resources in the world economy. The merger is the termination of the activities of both enterprises and their integration through the registration of a new legal entity. The merger is considered to be completed after the state registration of the newly formed legal entity and the state registration of the termination of legal entities terminated as a result of the merger).

Takeovers (or acquisitions) are the cessation of the existence of only one or more enterprises that join a “major” that is not reorganized. The accession is considered to be completed “from the moment of the state registration of the termination of legal entities terminated as a result of

the accession and the state registration of changes to the constituent documents of the “main” legal entity regarding its succession in respect of the legal entities that have joined” [3].

Mergers, mergers, divisions and transformations take place at the decision of the participants (owners) of the enterprise or body of the legal entity that created it, authorized by the constituent documents and with the consent of the relevant state authorities (regulated by Article 106 of the Civil Code of Ukraine).

A partnership is created as a result of a legal agreement (referred to as Operating Agreement abroad) that allows two or more businesses to engage in certain business as co-owners for profit. It is very widespread abroad. In this structure, all participants contribute capital to start a business.

The advantages of forming a partnership are: ease of creation; there is no complex reporting; the ease of breaking when a partner can give up and return his share; all tax losses are distributed among the partners depending on the amount of its contribution to the joint venture.

Integrated group business structures, as noted by Akoff, have several advantages over single companies [1], namely a single center implements strategic management throughout the group; unified financial and tax policies allow for maneuvering of money resources and investments; sectoral and geographical diversification of assets reduces the risk of activity and other.

Thus, each enterprise independently chooses the further path of its development. It can be both individual and collective (integration). But in the current conditions of globalization, increasing instability and complexity of the environment, limited access of enterprises to exhaustive resources and other destabilizing factors, ensuring long-term trouble-free functioning and sustainable development of enterprises requires their integration and integration. However, the impact of global processes of globalization and integration causes reformatting, both the structure of the world community and the structure of enterprises at the international, national, regional and micro levels with their transition to business structures. At the same time, there is a multilevel integration of business structures in different forms in space with the creation of horizontally, vertically, conglomerate and globally integrated business structures. Each integration form of business structures has its advantages and disadvantages. However, the future is with globally integrated business structures, which today are multinational corporations.

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**CONCEPT OF
INCLUSIVE
ORIENTED
ECONOMIC
DEVELOPMENT IN
THE PLANE OF THE
MODERN
EGALITARIAN
PARADIGM**

The modern world is rapidly changing under the influence of economic, political, social, environmental and other factors and is characterized by the close interdependence of the world economies. Such interdependence is driven by the rapid growth in the ability without difficulty to move between countries of goods, services, technology, information, capital, that contributing to global economic, political and cultural integration and to developing unified norms and policies that equally regulate public relations, as at national economic level and at the level of the global economic system.

In conditions where multinational corporations have almost complete control of the world markets, exerting a significant influence on social, economic and political processes more than governmental structures, the main priority of global economic policy should be to focus on effectively confronting global risks and crises. Accordingly, the approach focused on the main priorities of humanity is especially relevant for the development of not only the world economy, but also the economies of individual countries. It can only be secured if inclusive development concepts are included in governments' social and economic programs to formulate socially-adapted growth policies.

Effective interaction of all actors of socio-economic development should focus primarily on models and strategies that will allow for a unified policy aimed at minimizing risks and eliminating such threats as: misuse and resource allocation; increasing the disproportionate distribution of income; critical climate change and environmental security; uncontrolled labor migration; deepening of urbanization processes; increasing poverty and social exclusion; population aging, etc.

The issue of sustainable economic development has not been

repeatedly raised and researched by the world scientific community. Increasing global economic imbalance, political crises and social depressions at the level of individual countries and regions, environmental challenges that threaten humanity, the inefficiency of outdated financial-economic and social policy instruments are forced to search new models of active economic development to solve certain problems. Such models should not only ensure effective growth, but also take into account global trends of progressive development in resource constraints, focus on the interests of mankind and focus on the long term (Vdovichen and Vdovichena, 2018, p. 37).

Given that most modern models are focused on quantitative and financial growth trajectories that are no longer delivering the expected results, it is particularly relevant to develop new innovative approaches that take into account qualitative characteristics by prioritizing the interests and needs of future generations. Inclusive development, as a new model of sustainable and balanced growth over the last decade, has been talked about by most of the leading scientific communities, arguing that it should underpin modern socio-economic concepts, as it aims primarily at preserving the resource potential of maximizing community engagement with all members of the public taking into account the individual characteristics of each for the maximum realization of own potential and creation of equal opportunities of access to resources in the conditions of their limitations. In this regard, deepening research towards inclusive growth and development is particularly relevant not only for national economies at the local level, but also for the world economic system, and defining the basic principles of such development in the system of functioning institutions is a priority for the formation of stable and balanced social-economic system.

Economic development is a multi-purpose, multi-purpose process of functioning and evolution of the economic system in the long term, which is influenced by economic contradictions, needs and requirements and is characterized by changes in investment, innovation, technical, technological, environmental, labor, social, political, demographic, etc. factors of development, the driving force of which is the material and spiritual interests of people. However, it is important to note that overcoming these contradictions is at the heart of a new formation of stable and balanced development that is oriented towards an inclusive economy. It is this orientation that speaks of sustainable development in the long run (Vdovichen and Vdovichena, 2019, p. 64).

Rockefeller Foundation experts that engaged in development on the

theoretical and practical issues of inclusive economics say that inclusive economics is an economy in which there is greater opportunity for broad co-prosperity, especially for those categories that face the greatest barriers to increasing their own well-being while highlighting five characteristics of an inclusive economy such as (Pacetti, 2016):

1. Population participation. In spite of individual differences, people have equal opportunities to fully participate in the economic life of society and influence its future; gain unobstructed access to markets and participate in them as employees, consumers and business owners. This is facilitated by the transparency and equality of rules and regulations, and the diffusion of innovation and the introduction of new technologies will contribute to the enhancement of individual and public well-being.

2. Equality. Ensuring vertical mobility for more member people, especially the poor and socially vulnerable groups population. Ensuring equal access to public goods, services and infrastructure.

3. Growth. Economic growth should include such directions that characterize not only material but also social well-being.

4. Stability. Participants of economics have sufficient confidence in their future and can predict the outcome of their economic decisions, therefore, economic systems become more resilient to potential upheaval.

5. Perseverance. Inclusivity, by opening up the opportunity to realize the potential of all groups of employees, ensuring social well-being that is oriented to the needs of not only modern but also future generations (Pacetti, 2016).

Economic growth (as a basis for economic development) depends on the factors that can be attributed to (The Inclusive Growth and Development Report, 2017): existing rules, incentives and institutional capabilities (which also determine the quality and equal conditions for the formation of human capital); the level of real investment development; the pace of innovation development and the breadth of innovation implementation; efficiency and flexibility of the systems of labor protection, social protection and insurance; quality and accessibility of infrastructure and basic services for all segments of the population; business and political ethics; legal and political protection; bio-economic orientation of economic activity, etc.

Most of these factors provide for “socio-economic inclusion”, so it can be argued that there is close interaction between economic growth and inclusive development.

Inclusive economic development can be defined as shaping balanced,

stable growth with inclusiveness indicators (level of social inclusion in socio-economic processes; access to use of resources; high productive employment; equality of income and opportunity; environmental sustainability, etc.) ensured by realization inclusive, investment, innovative programs. In other words, inclusive development and growth require the ensuring of social protection for vulnerable groups populations, reducing poverty and solving inequality problems in any manifestation of it, which will facilitate rapid growth and transition to a more open integrated economy.

The views of the majority of authors on the basic principles of inclusive development are in some degree the same, the majority is essentially oriented to the proportional (equitable) distribution of income among the population, or the ensuring availability workplaces. At the same time, no proposed definition reveals the essence of the concept to the full. Since the essence of inclusive development is much broader and encompasses a number of factors of different systems and concepts, thereby forming a new paradigm of public development both at the level of the individual state and at the level of global world tendencies, it testifies to its multidimensional nature. That is, we can talk about the multidimensionality of this concept.

In his research, Semenovskikh T.V. considered the person as a key element in inclusive space in the “vertical” and “horizontal” multidimensionality, which represented by a set of basic fundamental aspects of human existence and the world, that expressing themselves and ensuring the integrity and unity of people and society, and therefore inclusive society (Fig. 2.3) (Semenovskikh, 2016, p. 154).

F. Farrington’s multidimensional “vertical” model highlights the five fundamental systems necessary for function an inclusive society, namely: social – family, labor market, religious, professional, and others community; economic – wages, income, financial security, insurance, availability of markets for goods and services; institutional – legislation, legal regulation of rights and freedoms, education, healthcare, political and environmental security; territorial – migration, freedom of movement, territorial integrity, transport and communication; symbolic relationships – identity, tolerance, resilience, stress resistance, self-esteem, motivation, capacity to empathy (Farrington, 2013).

The “horizontal” multidimensionality of inclusion implies an integrated interaction of such components as: belonging to a particular group; participation in social activities; subjective sense of inclusion, belonging, positive self-identification, emotional contact with society.

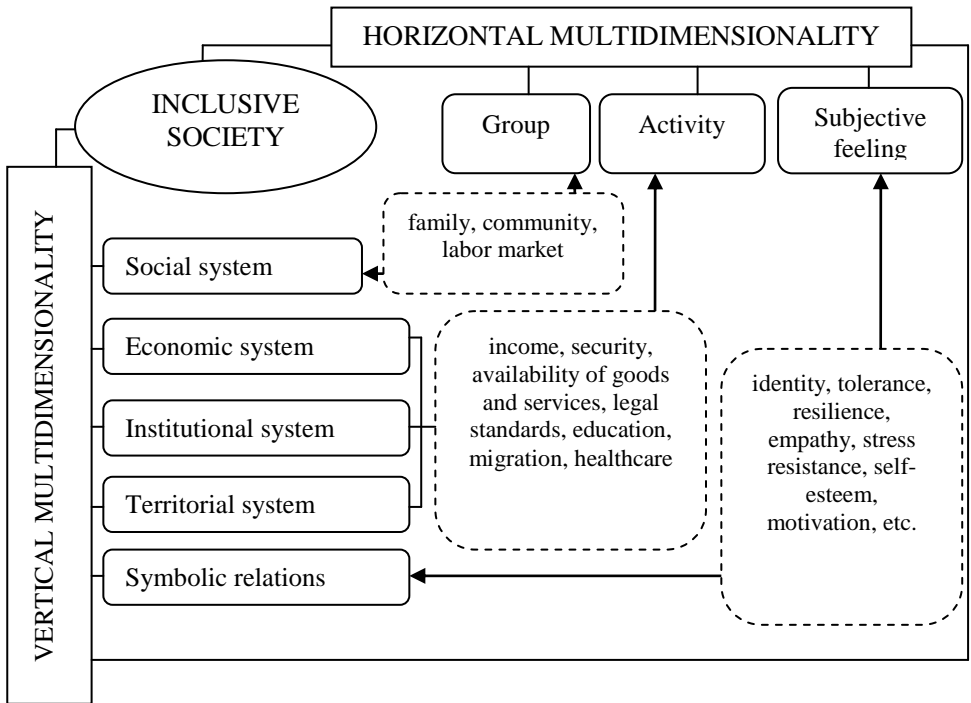


Figure 2.3 Multidimensionality inclusive society model

Source: developed by the author on the basis of (Semenovskikh, 2016, p.154; Farrington, 2013)

Realization of new inclusive vectors in the conditions of “multidimensionality” disclosure is possible only under conditions of synergistic interaction of three systems: the state, society, economic system that forms a holistic integrated environment for stable economic development. The close interaction of these systems should certainly be focused on the long-term prospects and needs of future generations, and thus ensure:

- ✓ optimal use and distribution of scarce resources, environmental technologies;
- ✓ creation of environmentally friendly products, minimization, processing and disposal of waste;
- ✓ preserving the stability of social and cultural systems, including reducing the number of destructive conflicts between people and equitable distribution of goods;
- ✓ integrity of biological and physical natural systems (ecosystems),

on which depend global stability and conservation of self-renewal capabilities.

That is, it is the ecological component that underpins balanced inclusive development that is able to provide not only short-term beneficial effects but also socio-economic stability and security in the long run.

Accordingly, taking into account all the above aspects, it is reasonable to say that *inclusive development* can be considered as development that characterized by multidimensionality within the environment formed by systems (state, society and business) integration and interaction which creates interconnected institutions whose activities are oriented long-term perspective and ensuring a balanced distribution of material and intangible goods among members of the society, taking into account the needs of future generations (Fig. 2.4).

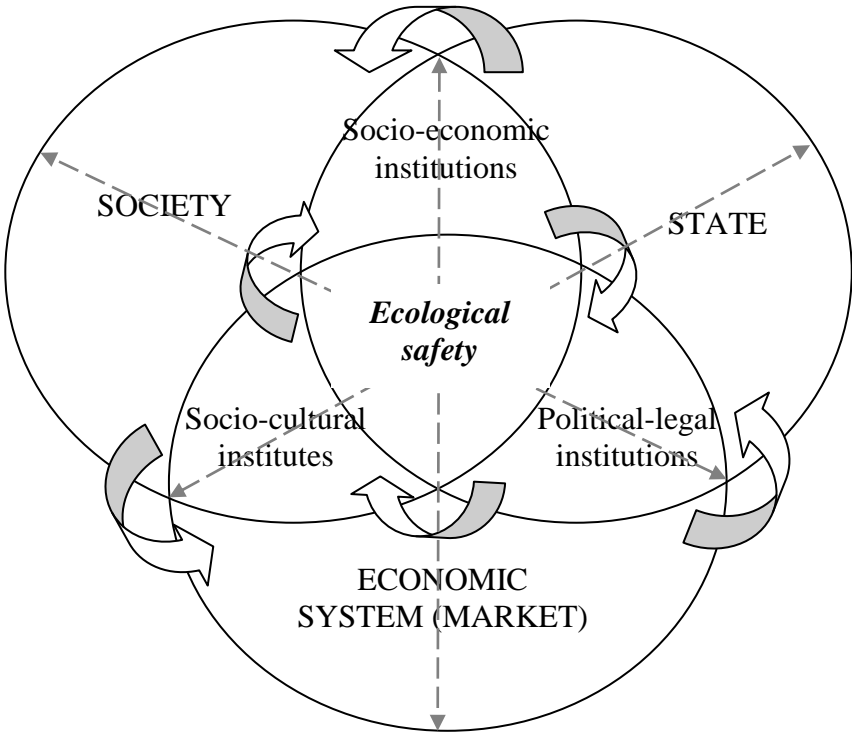


Figure 2.4 Model of formation the institutes system taking into account the multidimensionality inclusive development

Source: developed by the author

In their study A. Leftwich affirm, states influence on inclusive development in two main ways: growth and economic transformation; social welfare. States establish social security regimes, both to promote economic growth and to protect citizens from the gravest consequences of capitalist transformations and major risks to life in an industrial society (Leftwich, 2009).

Markets have an impact on inclusive development by: creating such optimal conditions for the formation of an individually-tailored employment sector that would maximize productivity; introduction of innovations (including inclusive ones) into production and economic activity; creating market segments for goods and services available to the needy; business orientation on environmental vector development.

A stable inclusive society, in turn, will ensure a loyal attitude to both the government (state) and the markets, displaying high public awareness and savings in the rational distribution of public goods and limited resources, putting the needs of future generations as a priority for inclusive development.

In view of the above, the vectors of inclusive development, given their orientation to the multidimensionality and nature of institutions, can also be defined as:

1. Political-legal – creating equal opportunities for the realization of rights, freedoms and interests, as well as a secure political and legal environment. In this context, we can talk about political and legal inclusion.

Political inclusion, that is, a process which involves the involvement in political processes of different groups the population (including different social levels) to ensure the participation of the majority of the population in management in accordance with the constitutional principle of popular sovereignty.

Legal inclusion implies equal adherence and protection of rights and freedoms without any distinction, such as race, skin color, gender, language, religion, sexual orientation, political or other views, national or social origin, property (or lack thereof), birth or other status, the functioning of an impartial justice system.

2. Socio-economic – creation of conditions for overcoming social rejection and creation of material well-being, as well as social involvement in social processes. A number of scholars identify separate social and financial inclusion, as well as inclusive innovations, although they work closely together and form strong synergies between themselves and thus cannot be considered as independent, independent

species. However, in our opinion, it is worth highlighting the individual aspects that will be most characteristic for each species.

Social inclusion – a process of ensuring changes in the political, economic and social spheres, aimed at creating social equality targeted at all population groups (including the socially vulnerable) and involvement in employment and the labor market.

The European Union defines *social inclusion* as a process that provides groups of population at increased risk level of poverty and social exclusion, the opportunities and resources needed to fully participate in economic, social and cultural life, achieve the desired standard of living and well-being, receive quality medical services and healthcare services that meet the norms and standards of the society in which they live.

Financial inclusion can be defined as unhindered access the population to a wide range of financial services (including crediting, insurance, cash and non-cash payments) for the purpose of preservation, multiplication and accumulation of tangible assets, which has a positive effect on financial sustainability, increases financial literacy, decreases financial literacy, in the event of unforeseen circumstances (financial costs) and ultimately has a positive effect on economic growth. The National Bank of Ukraine has defined financial inclusion as a process of creating conditions for engaging all segments of the population and business to use various financial services, which are affordable in terms of infrastructure and price, formally regulated and meet the needs of the population in order to stimulate economic growth of the country and reduce social inequality in society.

Inclusive innovation – innovation that involves the creation and launching to the market of new quality products or services designed for few protected groups of society. Inclusive innovation activity has the following characteristics, namely: acceptable access; sustainable production; goods and services that create a opportunities to get money for invest; focus on the marginal groups the population, especially persons with disabilities (Zatonatska, 2014, p. 103).

3. The socio-cultural vectors of inclusive development partially reflect the principles of social inclusion described above and are complemented by the accessibility to quality educational services and the involvement in the cultural life of the community. That is, in our opinion, it is possible to divide the single notion of social inclusion (while extending it) into two types: social inclusion (inherently more focused on socio-economic interconnections in society) and socio-

cultural inclusion oriented on the subjective feelings of identity, self-identification, development, recognition and belonging to social groups.

In other words, *socio-cultural inclusion* involves equal opportunities for learning and development, creative, intellectual growth; support in decision-making regarding family and life in society; unhindered access to physical and social sharing; recognition of differences in development, beliefs, individual differences as such that do not carry a discriminatory context and do not diminish the social value of the individual.

As a result, each of the systems that interact with each other and participate in the formation of a holistic integrated environment for sustainable and balanced economic development derives its benefits from developing the formulation and implementation of inclusive development priorities (Table 2.6).

Table 2.6

Inclusive development priorities for individual systems in the context of identified institutions

		STATE	SOCIETY	ECONOMIC SYSTEM (MARKET)
1		2	3	4
POLITICAL-LEGAL INSTITUTIONS	Political inclusion	realization of the constitutional principle of popular sovereignty; adherence to the guidelines of the world community development	accessible participation in the political life of society; freedom in forming political convictions; guarantees of political freedoms	formation of an open competitive environment that eliminates lobbying of business interests in government structures
	Legal inclusion	formation and functioning of an impartial legislative, executive and legal system of power; development of public service providing	formation of a secure political-legal environment that creates a sense of stability and security in society; security of property rights	creating a secure political-legal environment that would create additional opportunities for attracting investment capital and innovation; private property guarantee

Table 2.6 (continued)

1		2	3	4
SOCIO-ECONOMIC INSTITUTES	Financial inclusion	de-shadowing of calculations, increasing the level of financial stability of certain categories of the population; optimization of financing of the social sphere	availability of financial, credit, insurance services; use of modern payment instruments; speed and safety of calculations	reduction of transaction costs, use of the latest payment services; sales promotion through access to credit services
	Social inclusion	formation of a responsible and conscious society; de-shadowing of employment and work; support for national inclusive development initiatives by the international community	reducing the risk of social rejection; accessibility of educational, medical and healthcare services; achieving the desired level of well-being; development of transport and public infrastructure	improving labor productivity through the implementation of an adapted employment policy, taking into account the individual characteristics of employees; expansion of commercial activity in the market segment of available goods and services
	formation of ecologically safe bioeconomic environment			
SOCIO-CULTURAL INSTITUTES	Socio-cultural inclusion	development of infrastructure, cultural and other objects through physical and social space sharing projects; forming trust in the state as one that recognizes the social value of the individual	learning, creative, intellectual growth; development of social consciousness; equal access to cultural sites and infrastructure; forming a sense of social unity and security	expanding market development opportunities through the willingness of the population to buy goods and services to meet intangible needs; willingness to invest savings into your own business

Therefore, ignoring the principles of inclusive development can have negative consequences for society. Nobel Prize winner M. Spence emphasized the particular importance of inclusivity for modern economy, noting that non-inclusive growth patterns are always doomed to failure. Such models cannot provide the sustained high levels of growth needed to reduce poverty and meet basic human aspirations: health, safety and the ability to benefit society through work and creativity. They do not sufficiently and inefficiently use valuable human resources, resulting in political and social upheavals, often accompanied by ideological or ethnic polarization that leading to sharp political fluctuations or political paralysis (World Bank, 2009).

At the same time, growth and fairness are the most important determinant factors of an inclusive economy, for which all actors in its formation, including workers, consumers and business owners, representatives of government, political, legal and social structures, which are able to ensure long lasting and sustainable growth while avoiding imbalances and reducing disproportionately. Without a policy of structural change, the imbalance of the economy will be preserved and adversely affect on the opportunities and prospects for economic growth. The global trends of innovative inclusive development are identified by priorities, enshrined in the programming documents of the countries-innovation leaders: demographic change, level of living and healthcare; food security, sustainable agriculture, seabed research, bio-economy; safe, clean and rational energy; energy efficient green transport; opposition of climate change, efficiency use resources and mineral resource; an innovative, reflective society of equal opportunity; a secure society (Vdovichena and Vdovichen, 2018, p. 96).

Focusing on the main aspects of inclusive development, we can say that develop of the model of inclusive-oriented growth should include at least three main components: economic, social, environmental, the basis of which is close interaction and cooperation between government, industry, social and scientific spheres (Fig. 2.5).

The concept of inclusive development is based on the principles of democracy and aims to involve in the management of socio-economic, political and business processes representatives of all categories of society, avoiding discrimination on gender, age, physiological and psychological characteristics, religious and political beliefs, language, national or social origin, etc., which will reduce inequality, expand rights and freedoms, increase material well-being and, in turn, significantly improve the quality of life.

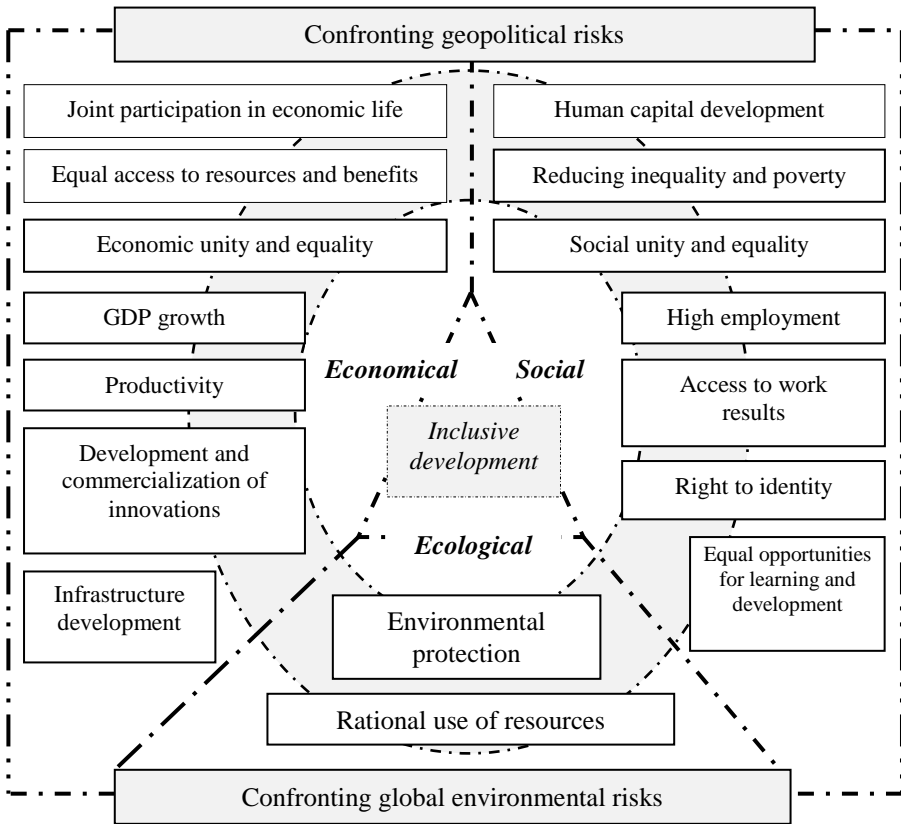


Figure 2.5 Priority components of inclusive development

Source: developed by author based on (Bazyliuk, 2015; Vdovichen, 2017, p. 134; Yermak, 2017)

It is quite natural to determine the parameters of inclusive development effectiveness. One of the most important indicators of development the economy that characterizes the end result of production activities in the sphere of tangible and intangible production remains gross domestic product (GDP). However, the Inclusive Development Index (IDI) is a new instrument for a more comprehensive assessment of the economic development level of countries as opposed to GDP (The Inclusive Growth and Development Report, 2018). At the beginning of 2017, the World Economic Forum in Davos first introduced IDI as an alternative system for assessing the economic development of countries.

The index is based on 12 indicators – indicators united into three groups (Table 2.7).

Table 2.7

Inclusive Development Index: groups and indicators

No	Group	Directions	Indicators
1	Growth & Development	economic growth and development	GDP per capita growth; employment rate (contributes to the expansion of human economic opportunities and ensures the financial stability of the family); labor productivity (including wages and household income); healthy life expectancy (quality of life indicator).
2	Inclusion	social integration	Average household income; level poverty and inequality (Gini indicator, standard international measure of inequality and concentration of wealth).
3	Intergenerational equity & sustainability	direction for future generations	The level of savings (including investment in human capital); demographic burden and aging of nations; state debt; pollution environment and depletion of natural resources (including climate change indicators).

Source: formed by author based on (The Inclusive Growth and Development Report, 2018)

The need to introduce a new index is justified by the fact that economic policy priorities should be reoriented to more effectively counteract the vulnerability and inequalities that accompany technological change and globalization. Sustainable balanced development, scientific-technological progress and innovations will make it possible to significantly stimulate the growth of incomes of the population, expand its economic opportunities, improve the level of security and quality of life. This reorientation involves the use of new instruments to assess the effectiveness of socio-economic policies at country level.

In The Inclusive Growth and Development Report 2018, the countries of the world are divided into two groups: countries with advanced economies and countries with developing economies, and the Inclusive Development Index (IDI) allowed to distribute the countries to be ranked based on an analysis of key indicators development and their combined assessment, and identify five-year trends changes in these indicators (The Inclusive Growth and Development Report, 2018). If IDI absolute rank the country illustrates the level (or accumulated achievement) of inclusive development, then its trend rank provides information on changes in these indicators over the past five years.

Such information will be particularly useful for governments as it allows us to assess the impact of political change in the medium term, i.e. within the typical policy cycle (Table 2.8).

As can be seen from the table, among the countries with economies developing of the first place belongs to Lithuania, which retains this place for two years, both in terms of the Inclusive Development Index (IDI) and GDP per capita (GDP). The top ten also included: Hungary (2nd place in IDI rating), compared to 2017 in 2018 the country increased its rating by one position and kept a small gap between IDI and GDP (4th place over 2 years in GDP per capita); Azerbaijan (3rd place in IDI rating) lost some position compared to 2017, among the top ten countries it has the biggest gap showing high inclusive growth but low GDP (26th and 24th place in 2018 and 2017 respectively); Croatia – the country in the year was ranked 23rd in the ranking of countries in level of inclusive development rise to 7th place, while maintaining a high GDP rating (6th and 7th place in 2018 and 2017 respectively); Poland; Romania; Uruguay; Latvia; Panama; Chile – also showing high rating positions.

Ukraine in 2018 ranked low enough 49th place on the inclusive development index (compared to 2017, the rating down by 2 points) among developing countries, but it is higher than five years ago. The difference between GDP and IDI indices in 2018 increased and equal by 6 points, unlike the previous year when it was only 3 points. This situation by the global community is linked with the unstable political, economic and military situation in the country.

Continuation of hostilities in the east of the country significantly impedes socio-economic development, reduces the level of investment attraction and implementation innovation in the economy, provokes political and social unrest.

Table 2.8

**Comparative characteristic rank of individual developing countries
by the Inclusive Development Index (IDI) and GDP per capita
during 2017-2018**

Country	Place in overall rating by indicators				IDI				Trends change place in rank over the last 5 years			
					Number points		Change of points in the last 5 years (%)					
	IDI		GDP		2018	2017	2018	2017	IDI		GDP	
	2018	2017	2018	2017					2018	2017	2018	2017
Lithuania	1	1	1	1	4,86	4,73	4,90	2,01	8	18	15	12
Hungary	2	3	4	4	4,74	4,57	8,10	3,14	5	12	47	53
Azerbaijan	3	2	26	24	4,69	4,73	-	-	57	42	68	63
Latvia	4	7	5	5	4,67	4,57	8,60	3,75	2	11	19	14
Poland	5	4	2	3	4,61	4,57	3,39	1,12	17	27	35	37
Panama	6	8	11	13	4,54	4,52	4,80	0,99	9	31	10	4
Croatia	7	23	6	7	4,48	4,28	2,89	-	21	69	65	68
Uruguay	8	6	8	6	4,46	4,53	1,65	4,23	37	8	45	32
Chile	9	10	3	2	4,44	4,46	1,76	2,07	35	17	48	40
Romania	10	5	15	16	4,43	4,53	4,21	5,17	12	6	21	39
Bulgaria	11	18	18	20	4,41	4,37	2,91	-	20	47	37	50
Russian Federation	19	13	9	11	4,20	4,42	0,48	1,24	43	25	70	66
Moldova	31	34	49	50	4,00	4,08	4,69	1,43	10	1,4	23	23
Armenia	45	50	36	40	3,66	3,66	0,62	-	42	52	28	21
Ukraine	49	47	43	44	3,42	3,76	-	-	73	57	75	76

Source: formed by author based on (The Inclusive Growth and Development Report, 2018)

First of all, such negative fluctuations are reflected in the most vulnerable and disadvantaged sections of the population. As a consequence, quickly increasing the disproportionate in regional development, the social and economic inequality of society, the percentage of the population below the poverty line, the level of labor migration (especially among young people), which leads to a disruption of the proportion between the working and incapacitated population (accelerates aging), etc.

Ukraine has a relatively low percentage of dependency (45.8%), but it does not focus sufficiently on forming a stable and secure environment to meet the needs of future generations and has one of the highest welfare inequalities among counties of developing economies.

The report also emphasizes that Ukraine has one of the highest levels of wealth inequality among all developing countries, but a relatively low level of income and poverty inequality. This is confirmed by the Credit Suisse Institute (Global Wealth Report 2018), according to which the Gini Index of income in Ukraine is one of the lowest in the world (25-30%), while the Gini Index of wealth is one of the highest (90.1 %). The reason for this discrepancy may be the high level of shadowing of the economy (Table 2.9).

Table 2.9

Dashboard of National Key Performance Indicators for selected groups

Groups	Indicators	Modern levels		Trend over the last 5 years	
		2018	2017	2018	2017
Growth & Development	GDP (\$) per capita	2906	2824	-1,4	-0,9
	Productivity (\$)	15845	17157	-3,2	0,5
	Quality of life	64,1	64,1	1,9	1,9
	Employment level (%)	53,9	55,0	0,0	1,1
Inclusion	Income GINI (%)	26,3	25,5	-0,6	-3,0
	Poverty level (%)	0,5	0,1	0,3	-0,1
	Wealth GINI (%)	90,1	91,7	0,1	1,4
	Average income (%)	10,2	11,4	-0,5	1,0
Intergenerational equity & sustainability	Savings level (%)	1,0	-0,5	-0,7	-3,6
	GDP in external debt structure (\$)	347,0	347,0	-37,2	-37,2
	External debt (%)	81,2	80,1	43,7	43,2
	Dependence (%)	45,8	43,3	2,6	0,6

Source: formed by author based on (Global Wealth Report, 2018)

In such conditions, the incomes of small and medium-sized businesses are minimized, avoiding tax pressure, and most the incomes of population (including income of workers) are also in the shadows as the corrupt super-profits of the ruling elite. Therefore, the conditional distribution of wealth is uneven across the all population of the country.

The Gini index is a statistical indicator indicating the degree of stratification of society in a country or region with respect to any sings under study. When analyzing social inequality in indicator of income costs), this economic indicator characterizes the differentiation of

monetary income of the population in the form of the degree of deviation of the actual distribution of income from absolutely equal to their distribution among the inhabitants of the country. This statistic was suggested by the Italian statistician and demographer Corrado Gini in 1921 (Gini, 1921).

It is also worthwhile to pay attention to the dynamics of Gini income – an indicator of inequality of distribution that takes values between 0 and 1, where 0 means absolute equality (the value takes only one value) and 1 denotes total inequality (Fig. 2.6).

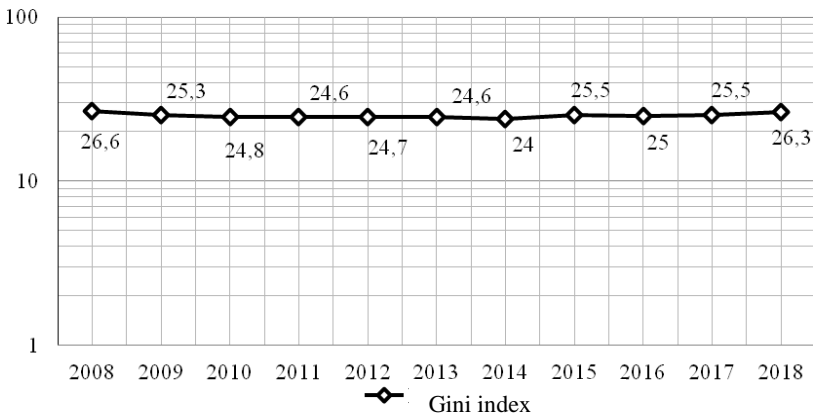


Figure 2.6 Dynamics of the Gini index in Ukraine (%), 2008-2018

Source: developed by author based on (World Bank, 2018)

According to data the World Bank in Ukraine has a fairly low level of wealth-income gap, which puts it on a par with the countries leaders, but oriented on this indicator alone gives a rather misleading picture of the socio-economic development picture as a whole. In addition, the data of the Credit Suisse Group in 2018 Ukraine is among the lowest income middle-income countries in Europe (Fig. 2.7).

The average income per adult in Ukraine is only 1563 dollars USA (in comparison, in Turkey it is 18555 dollars USA and in the UK it is 279048 dollars USA). At that time, the average indicator for Europe was 144903 dollars USA. In fact, these figures suggest that one adult must meet his or her needs, limiting income to about 4.3 dollars USA per day. The UN estimates that absolute poverty occurs when daily expenses of person are less than 5.05 dollars USA. Below this level of income comes social exclusion (the concept completely opposite to inclusion). This means that an individual does not have enough money to lead a lifestyle

that is acceptable to society. In such conditions, we cannot speak of inclusive development, but rather of absolute regression.

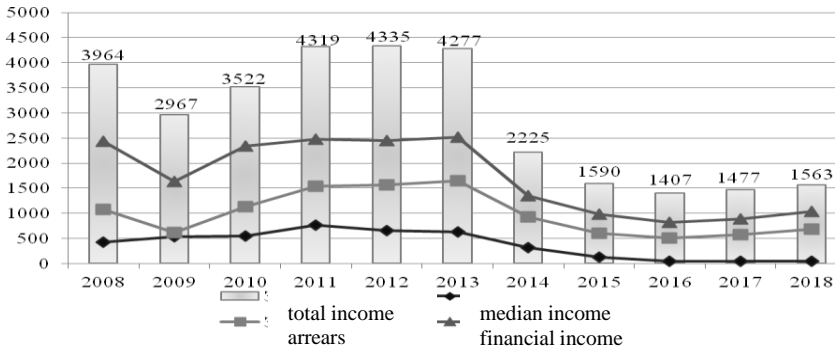


Figure 2.7 Dynamics of the main indicators of well-being in Ukraine during 2008-2018 per one person in dollars USA according to data Credit Suisse Group

Source: developed by author based on (Global Wealth Report, 2018)

However, there are also some positive points. The education system in Ukraine focuses on inclusive vectors, while expanding opportunities for learners and students regardless of their socio-economic level. The middle class remains large enough, the healthcare system and programs aimed at tackling unemployment allowing Ukraine to occupy high places in level of quality of life and social protection (The Inclusive Growth and Development Report, 2018, p. 57).

Our data indicate that low volumes of domestic resources of the national socio-economic sphere require the introduction in Ukraine of progressive global approaches to the formation of new directions of growth. Such directions should certainly orient on internal and external economic potential and take into account the general trend of adherence to the inclusive vector. Therefore, in the context of the concept of inclusive development the priority directions for Ukraine can be identified the following: improvement of professional training of personnel in leading spheres; reduction of administrative and tax burden on creation and operation new business; increasing access to financial and credit services for entrepreneurs; increasing attention to the problem combating of corruption nationwide.

Imbalance and instability in the economy testifies to the depth of the crisis processes, forcing scientists and practitioners to seek new

contemporary models of socio-economic and political development that could not only provide stable and balanced growth but also resist global (political, social, economic and environmental)) challenges, to meet the needs of present and future generations, while reducing socio-economic and political tensions, reducing disparities in development, increasing social welfare. Such development models can be formed on the basis of a multidimensional inclusive orientation of the system of institutions that operating in the socio-economic environment of both individual states and the world economic system.

Adhering to the principles of inclusive development in the world community will not only develop effective growth programs, taking into account the economic, social and environmental components, but also create a new integrated responsible society.

For Ukraine, the develop and realization of inclusive-oriented programs will help stabilize the socio-economic situation in the country and reduce the perceived inequalities of development by forming an open policy that would involve all groups of the population to participate in the distribution of resources and unimpeded access to the labor market, organize a secure business-environment and stimulation of competitiveness, development of education, healthcare and measures for poverty reduction. It should be remembered that determining the level of socio-economic development should not be based solely on the index of inclusive development, as different approaches and statistics indicators make it possible to assess the situation in a complex, especially when considered in synergistic interaction.

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Chapter 3

INNOVATION IN ENSURING SUSTAINABLE SOCIO-ECONOMIC DEVELOPMENT

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MODEL OF IMPROVING THE FINANCIAL LITERACY OF CONSUMERS IN THE FORMATION OF RISK- ORIENTED THE SYSTEM OF ACCUMULATIVE PENSION PROVISION

The financial literacy of the consumer of a risk-based funded pension system implies behavior that includes the ability to use the acquired knowledge to make rational decisions. Of course, the definition of financial literacy of consumers of risk-oriented pension savings system should include basic calculation skills, understanding the benefits and risks of the pension savings system, understanding the basic financial concepts, the ability to access sources of information (consulting services), ask questions and understand the content of professional advice. Therefore, financial literacy should be considered as a set of theoretical knowledge, as well as the ability of consumers to use their knowledge in practice [8]. It is financial literacy that allows the consumer to enjoy the fruits of a risk-oriented system of accumulative pension provision, and proper protection of the rights of such consumers guarantees the credibility of the Pension Fund.

Financially literate people are more protected from financial risks and unforeseen situations. It is more responsible for the management of personal finances, can improve welfare, plan future expenses [4].

In the regions of Ukraine, a nationwide representative survey was conducted among 2,000 respondents aged 20 to 60 years. According to

the results of this event, it was determined that [2]: very low level of confidence in the financial sector of the country; there is a growing need of the population regarding financial services to obtain more information; most Ukrainians did not know where to get support in resolving controversial issues; low public interest in financial news.

The lack of interest of the state in the financial education of the population, which was still inherited from the previous command and administrative system, also negatively affected the financial education of our citizens. All this has led to such consequences as low income of citizens; formed the mentality of Ukrainians as a nation that does not want to live in debt; unwillingness to accept new financial knowledge [9]. An important element of information culture in decision-making is the level of public confidence in certain sources of information. One of the main problems of low public confidence is the lack of information openness [5].

The national program of improving financial literacy of consumers of a risk-oriented system of accumulative pension provision of Ukraine should become a document that sets out the goals and objectives of the state policy aimed at improving the financial literacy of consumers of a risk-oriented system of accumulative pension provision of Ukraine. Thus, determining the importance of financial literacy of consumers of the risk-oriented system of accumulative pension provision, it is necessary to understand the relevance and importance of the formation of an effective system of financial education in Ukraine.

Mandatory funded pension provision is that part of the contributions to the Pension Fund of Ukraine will be directed to the state Funded pension Fund of Ukraine. Contributions will be personalized and accounted for in individual retirement accounts. To protect against inflation, to meet the needs of the state in the sources of financing of long-term investment projects, to obtain investment income, the funds of the Savings Fund will be invested in the economy of Ukraine. All this should contribute to the overall economic growth of the country [3].

Thus, the formation of a risk-oriented system of accumulative pension provision in Ukraine necessitated the search for a model to improve the financial literacy of consumers.

The model of improving the financial literacy of consumers should include research in the field of financial literacy of consumers of the risk-oriented funded pension system, the development of new tools to improve financial literacy, consumer protection, and thus contribute to increasing confidence in the funded pension system.

Separately defined in the structure of the Pension Fund, the Department should become the main coordinator of the policy to improve the financial literacy of consumers of the funded pension system. The main objectives of this model include (Table 3.1).

Table 3.1

The main objectives of the model to improve the financial literacy of consumers

No.	The whole model
1	Improving the competence of consumers in the field of managing their finances. This is an understanding of financial terminology, possession of relevant information, the ability to make informed financial decisions, as well as responsible financial behavior.
2	Strengthening the financial protection of citizens as consumers of the funded pension system.
3	Increasing confidence in the funded pension system.

Source: developed based on source [10]

The system of financial literacy of consumers should be based on the principles of objectivity, expertise, certainty of the target audience [10].

An important task is the development of national standards of financial literacy, which cover curricula and programs, methods, a set of measures for the training of teachers and the like.

This should be done by the public administration: The Ministry of education and science, the basic ministries and departments, the Pension Fund, etc. (Fig. 3.1).

The primary task to improve the level of financial literacy and awareness of the population is the development and adoption of a national strategy for the development of financial literacy of consumers at the state level, which, in turn, should be based on a modular approach. This will include targeted programs (departmental and other sub-programs and financial literacy initiatives).

The approach to improving financial literacy should be based on taking into account the practical problems of consumers of the funded pension system and be based on the practical requests of citizens.

Consequently, the main objective of the National development strategy should be to improve the financial literacy of consumers through the development and phased implementation of targeted programs based on national standards. To achieve this goal, it is necessary to obtain theoretical knowledge and practical skills aimed at developing guidelines for planning personal pension contributions

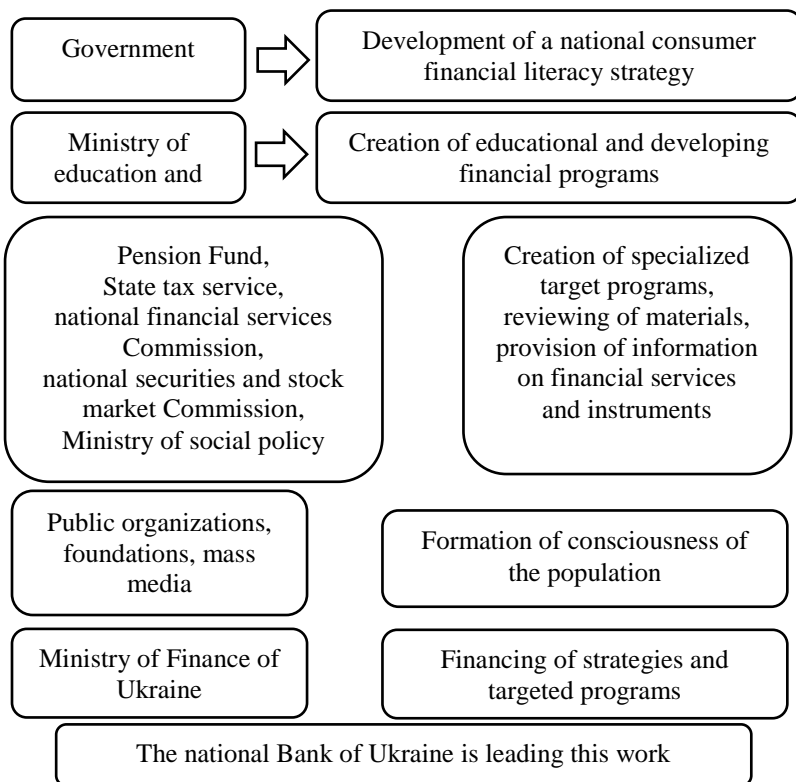


Figure 3.1 Distribution of powers to implement a set of measures to improve the level of financial literacy of consumers

Source: developed based on source [10]

throughout life. The most vulnerable age groups of the population are pensioners. It is this group that needs clarification on the ability to skillfully dispose of their funds, to defend the rights of consumers of the pension savings system, to protect themselves from financial fraud. Pensioners are a high-risk group for which mistakes in the disposal of their financial resources can lead to serious consequences. Financial literacy and consumer awareness can be promoted through the following activities: standardization of necessary knowledge and skills, creation of working groups for the development of target programs of financial literacy of consumers (coordination-Ministry of education and science of Ukraine, Pension Fund); training of highly qualified specialists and teachers on the financial literacy of consumers of the funded pension

system following the National qualifications framework and according to the higher education standard [1]; establishment of financial awareness centers at the non-state Pension Fund; carrying out by the Ministry of education and science of Ukraine, the Government and the non-state Pension Fund of explanatory work with the population on the adoption of important financial decisions in a crisis and non-standard situations; creation of the website of the non-state Pension Fund on the financial literacy of consumers taking into account the best world experience; organization and holding of training sessions on business development and EU market entry, mini-grant competition in the center for small and medium-sized business development in the framework of the project “gender culture Center as a platform for the empowerment of women and youth”; creation of a mechanism for evaluation, selection, and replication of the best information and educational products.

To increase the level of financial literacy of representatives and representatives of small and medium-sized businesses, as well as gender-sensitive organizations and individuals, the center for small and medium-sized businesses offers various training: training for those wishing to start their own business, business development training, business development training in the EU [13]. Thus, the training program “Business in the EU” includes the following thematic blocks: basic knowledge of and basic requirements for companies to export; export readiness and self-diagnosis; competitive advantages and unique trade offer; legal and documentary aspects, logistics; preparation and holding of B2B meetings. The program includes self-diagnosis, information modules and practical classes, meetings with practitioners. The effectiveness of these and other measures should be assessed primarily by regularly measuring the level of financial knowledge in society. Therefore, the system of monitoring the state of financial literacy of consumers of the funded pension system is of particular importance. It should cover the assessment of the level of financial literacy of different layers and target groups; positive and negative factors that lead to its increase or decrease; identify reserves for its growth; develop measures to improve the level of financial literacy; assess the impact of measures taken to improve financial literacy. The introduction of a funded pension system has a significant potential to have a positive impact on the socio-economic development of the country, but system should also counteract various risks (Table 3.2).

The accumulative system so far consists of one level – voluntary non-state pension provision. The legislation provides for two levels of

Table 3.2

The vulnerability of a system of accumulative pension provision of different kinds of possible risks

Comparison criterion	A system of accumulative pension provision
Vulnerability to inflation	Thus, the savings Fund can protect itself from inflation and other economic shocks only by responding appropriately to changes in the external environment only on its own
Vulnerability to the possibility of bankruptcy of pension funds	Thus, despite the possibility of ensuring the activities of accumulative pension funds, insurance companies are not able to compensate losses in full
Vulnerability to political risks	No; accumulative pension funds organize their activities, preventing ineffective intervention
Vulnerability to demographic risks	No; the amount of obligations of the pension fund is directly dependent on the number of its depositors

Source: developed based on source [11]

accumulative pension provision, one of which – compulsory accumulation-has not entered into force. Although the legislation does not specify the exact date of the introduction of the savings system, there are clear conditions, after which the law on the introduction of the Savings Fund and the transfer of insurance premiums to this Fund can be adopted. Therefore, the law will be adopted subject to the economic growth of the country during the last two years, namely: if in each of them the gross domestic product will grow by at least 2% compared to the previous year. The second level of the pension system will be implemented in Ukraine after the establishment of a system of state supervision and regulation, as well as the necessary infrastructure. The second level will be implemented only after the formation of the necessary economic prerequisites and the creation of a strong and effective system of state supervision and regulation in this area, as well as the necessary infrastructure [11].

Participants in the mandatory funded pension system will be young people under the age of 35 years inclusive. Thus, as of 31.12.2018, the vast majority of participants in non-state pension funds were persons aged 25 to 50 years, namely 60,1%, and persons of the age group from 50 to 60 years, which amounted to 26,9%. The share of participants in non-state pension funds of the age group over 60 years was 11,9%, the age group under 25 years -1,1% (Fig. 3.3) (Developed based on source [12]).

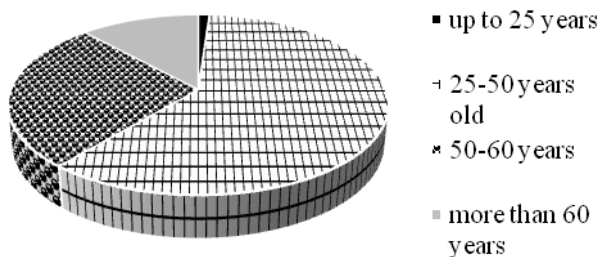


Figure 3.3 Distribution of participants of non-state pension funds by age groups as of 31.12.2018 (thousand people)

Therefore, it is important to involve all age groups in implementing financial literacy programs for consumers of the funded pension system. Thus, determining the importance of financial literacy of consumers, the model of financial literacy of the risk-oriented system of accumulative pension provision (Fig. 3.4), that developed based on the sources [3, 7, 10].

To meet the demand of consumers, a wide range of consulting services is offered, constantly updated and expanded. The process of implementing consumer Advisory services is divided into six stages (Fig. 3.5), that developed based on source [6].

The model (Fig. 3.4) of improving the financial literacy of consumers and professional competence of specialists in the formation of a risk-oriented system of accumulative pension provision, unlike the existing ones, is based on a three-level program of training seminars: financial literacy of consumers in the formation of a risk-oriented system of accumulative pension provision-public information and consulting activities (seminars, lectures); professional competence of specialists – conducting training seminars in the framework of educational and professional programs of professional development of specialists; master classes on the financial literacy of consumers in the formation of a risk-oriented system of accumulative pension provision. Master classes are conducted by specialists of the non-state Pension Fund. They acquaint consumers with the current trends of the risk-oriented system of accumulative pension provision.

Conclusions. The need and importance of improving financial literacy in the formation of a risk-oriented system accumulative pension provision was considerable. The model of financial literacy of consumers was built. The program is financed by the state, non-governmental organizations and commercial entities. Therefore, the above aspects of

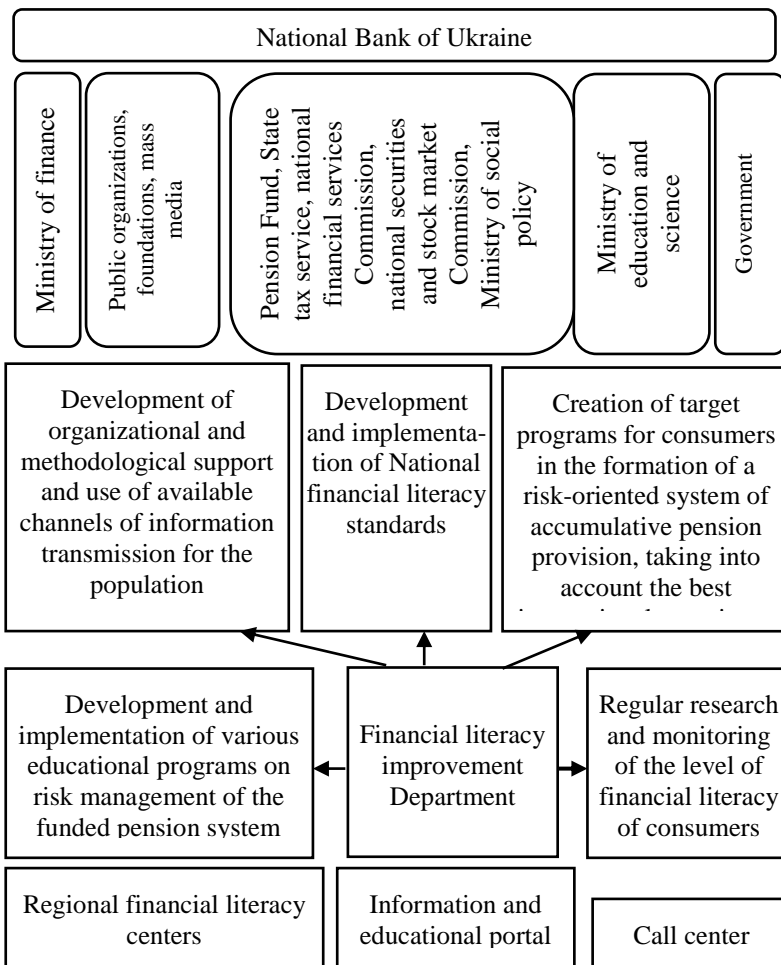


Figure 3.4 Financial literacy Model

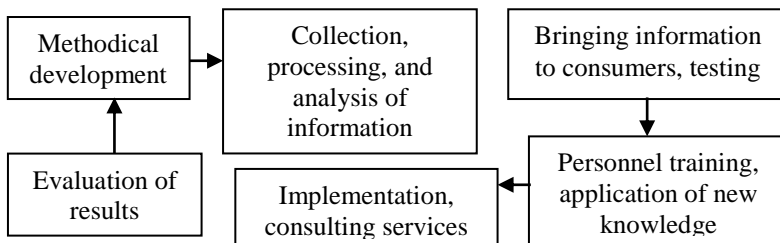


Figure 3.5 Stages of the consulting service process

the provision of Advisory services reveal their specificity and cover the entire process of work to provide assistance and practical advice in matters of financial literacy of consumers and professional competence of specialists in the formation of a risk-oriented system of accumulative pension provision. Master classes are conducted by specialists of the non-state Pension Fund. They acquaint consumers with the current trends of the risk-oriented system of accumulative pension provision.

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**INNOVATIONS TO
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SUSTAINABLE
ECONOMIC AND
SOCIAL
DEVELOPMENT**

Creating, developing, and disseminating innovative solutions, technologies and related know-how, including technology transfer on mutually agreed terms, have become the efficient drivers of economic growth and sustainable development. Inequalities in innovative capacity, interoperability and access to technologies within and among countries are key obstacles to overcome in coming years. Therefore, it is essential to ensure effective and purposeful innovative capacity development by the countries themselves, target it to meet specific needs of the countries, tailor it to their specific conditions, and reflect the national strategies and priorities identified by the national plans.

Many national and foreign scientists such as O. Vinogradov, P. Drucker, J. M. Keynes, A. Kucherova, O. Koltunovich, A. Marshall, M. Porter, A. Poruchnyk, A. Sadekov, J. Sachs, P. Samuelson, B. Scott, M. Tugan-Baranovsky, I. Fisher, G. Hamel, H. Chesbro, M. Chumachenko, K. Shtalman, and J. Schumpeter have greatly contributed to the study of innovation for economic and social development.

However, changes in the macro and microenvironment, increasing awareness, consumer demands and environmental constraints are creating needs to change the current economic and social development to a more sustainable one. This is a priority task not only of the UN (UN) or of the Organization for Economic Cooperation and Development (OECD), but also of the European Union (EU). In addition, sustainable development is a complex and multidimensional concept that encompasses the interdependence of economic, social and environmental order in socio-economic development, as well as the need to conserve resources for future generations.

In September 2015, the United Nations General Assembly adopted the 2030 Agenda for Sustainable Development to ensure comprehensive and sustainable economic development.

Innovations can make an important contribution to the advancement of this goal, as they contribute to productivity growth, saving scarce resources and providing a rational structure for production and consumption. In addition, sustainable development requires significant investment in innovation to achieve most goals, if not all of them.

Although innovation is important at all stages of development, different types of innovation play different roles at different stages. In the earlier stages, innovations are often associated with the introduction of foreign technologies, and social innovations can improve the efficiency of business and public services. Research-based innovations are important at later stages of development when they become a factor for competitiveness. The following table provides a schematic overview of different aspects of innovation for different categories of countries. The innovation types and the main agents involved may vary due to the innovation support mechanisms.

According to the 2018 European Innovation Index, Sweden is the EU's innovation leader, followed by Denmark, Finland, the Netherlands, the United Kingdom and Luxembourg, which have become among the leading innovators this year. Germany is among the group of strong innovators. On average, EU innovation performance has increased by 5.8% since 2010. Over the last 8 years, innovation efficiency has increased in 18 EU countries and decreased in 10 ones [5].

At the global level, the EU is catching up with Canada, Japan and the US. The EU maintains its superiority over China, but this trend is diminishing rapidly. The EU's lagging behind South Korea expected to decline gradually in the following years.

Table 3.3

Innovation types based on the country development level

Country category	Innovation mechanism / goal	Type / source of innovation and key agents
Developing / Low Income Countries	<ul style="list-style-type: none"> • Innovation must meet specific “local” needs to achieve results •Examples: New varieties of agricultural plants, efforts to develop new methods of mining in Chile’s copper industry to meet local needs 	<ul style="list-style-type: none"> • To enhance innovation based on foreign innovation and technology • Agents: universities and research institutes, leading private companies, especially those that can influence foreign market
Middle-income countries, but also some opportunities for developing / low-income countries	<ul style="list-style-type: none"> •To increase the innovation capacity that will be a key to technological progress in many industries. It’s important to avoid “middle-income traps” •Example: Korea intensified its R&D efforts in the 1990s 	<ul style="list-style-type: none"> • Strengthening and radical innovation ability to compete with leading global innovators •Agents: Full development of innovative systems is required
	<ul style="list-style-type: none"> • Solving environmental, health and social issues through global innovation efforts and local efforts •Example: soil innovations 	<ul style="list-style-type: none"> • Major innovations and research undertaken through global partnerships, as well as minor innovations to address the needs of poor people • Agents: public and private universities, WAN affiliates, and large private companies operating in these sectors
	<ul style="list-style-type: none"> • increasing niche competencies, e.g. growth / exports in areas of comparative advantage • Example: Colombian and Ecuadorian floral branches • The Malaysian palm oil sector 	<ul style="list-style-type: none"> • Gradual innovations based on the application of foreign innovations and technologies that are strategically important to support industrial development • Agents: Coordination government agencies, private sector initiatives, including foreign companies

Table 3.3 (continued)

Middle-income countries after initial innovation progress	<ul style="list-style-type: none"> • To climb the ladder of values in global value chains • Example: Malaysia's auto industry, India's software industry 	<ul style="list-style-type: none"> • Radical innovative ability to differentiate contributions • Agents: To engage the private sector to support government agents, intermediaries who can play an important role
	<ul style="list-style-type: none"> • Maintain competitiveness in border areas • Example: Brazilian Embraer, as well as leading research firms from developing countries 	<ul style="list-style-type: none"> • Innovation that is identical to developed countries • Agents: To involve predominantly private sector to cooperate with public research institutions and universities, global partnerships.

Some EU member countries take leading positions in particular areas of innovation, e.g. human resources and friendly environment in Denmark; finance and support in France; SME innovation, employment and sales impact in Ireland; innovative links and cooperation in Belgium.

According to the 2019 World Economic Forum, there are six drivers of production such as technology and innovation, human capital, global trade and investment, institutional base, sustainable resources, demand environment.

Ukraine ranks 74th (out of 100) in technology and innovation rankings, 34th in human capital, 59th in global trade and investment, 94th in institutional structure, 88th in steel, 58th in demand.

In Ukraine, the situation in the industrial sector of the country is difficult due to the relatively low quality of products, outdated equipment and technologies and lack of financing. Inexpensive raw materials and rather weak corporate culture in Ukraine lead to insufficient inflow of investments and, consequently, to low competitiveness in the domestic and international markets.

To take full advantage of innovation for sustainable development, it is necessary to encourage and focus innovation and investment in areas that are critical to sustainable development, and to stimulate the rapid and widespread innovation implementation in such areas. Examples include the energy efficiency of buildings, the transition to renewable

energy, the sustainable development of cities and the transition to a reusable economy, etc. The government policy measures can actively drive innovation into areas critical to sustainable development. However, the lack of this policy may result in lack of advancement, as innovation related to sustainable technologies and products cannot develop faster than innovation related to traditional technologies and products. These barriers can impede innovation that can have a significant positive impact on sustainability.

It is important to identify such obstacles in order to carry out effective policy measures to overcome them. There are following categories of such obstacles:

- External factors that cause market price distortions;
- Lack of significance of the benefits of sustainability (neglect);
- Limited credit resources and other imperfections of the financial market;
- Information asymmetry available to the parties, among which the costs and benefits associated with the implementation of technology should be shared; and
- Coordination problems (problems of cause and effect).

Market price distortions can affect negatively not only investment decisions in the new technologies acquisition, but also the choice of ways to use them, as well as decisions to invest in innovation in general. These distortions happened due to some external factors, i.e. when decision makers (consumers or companies) do not cover the full cost or do not fully benefit from their choice, so it might lead to excessively high costs or ineffective benefits for society as a whole. A classic case is the price of fuel, which reflects the costs of mining, processing and distribution of fuel, but not the cost of environmental pollution caused by its combustion. In this case, the consumer who buys a car with a new more economical engine will cover the full cost of these investments and will benefit from a reduction in fuel costs. However, if the price of fuel does not reflect the cost of pollution, the owner of a car with lower fuel consumption does not take advantage of the lower pollution. As a result, demand for new cars may remain too low.

Even though external factors transformed into internal ones and adequate market prices, there is still not enough possibilities of innovation implementing because of the lack of demand for final products. One of the reasons is that sustainability-related properties of different products may be less relevant to customers than other product characteristics, which then determine their purchasing choices. For

example, it is easy to compare the purchase price of two alternative products, and as a rule, it will significantly affect the purchase decision. In contrast, it can be much more difficult to assess whether an innovative product is capable of reducing operating costs, as it depends on the technical characteristics of the product in combination with the individual features of its use. Thus, future operating costs may be less important when making purchasing decisions. Therefore, the implementation of innovative sustainable technologies or products may require significant initial investment.

It is necessary to realize the innovation implementing costs immediately, while the benefits of reducing operating costs, reducing environmental impact or higher revenues realized over time. Therefore, such investments may depend on the ability of consumers or companies to raise credit. There is ample evidence that access to credit for consumers and companies, especially small and medium-sized enterprises, is often limited by the lack of collateral and information asymmetry that impede lending to banks. Such information asymmetry can be especially relevant in the case of innovative technologies investment, when profitability depends on the properties of the product and the future characteristics of its use, which is difficult for creditors to verify.

Another possible obstacle to effective innovation is the information asymmetry available to the parties, among which the costs and benefits associated with the investment shared. For example, a property owner's decision whether to use innovative materials to improve the thermal insulation of an apartment building for rent. The property owner will do this if he can offset the expense by a higher rent. Tenants will benefit from lower heating bills. However, it may be difficult for the parties to agree on the appropriate amount of possible rent rise, as the benefits will depend on the qualities of the property owner's materials, which tenants cannot control, and the tenants' habits regarding the use of heating beyond the property owner's control.

The second group of obstacles related to problems of innovation implementation coordinating and the development of additional infrastructure (so-called cause and effect problems) [2]. For example, consumers may be reluctant to buy electric or alternative fuel vehicles if there is a shortage of charging stations, while the energy industry may be reluctant to build charging stations if the number of vehicles requiring charging is small.

To overcome the obstacles for the critical innovation implementation

listed above there are a number of possible measures, such as taxes and markets to transform external factors into internal ones; standards; regulatory and legal regulation; product labeling; information campaigns; subsidies; tax benefits; government procurement.

Public officers can use these policy measures purposefully to address specific obstacles, or in combination to eliminate obstacles arising from the complexity of investment decisions in different areas.

Obstacles to innovation often limit the demand for innovation, although lack of demand will also negatively affect supply. Therefore, supply-side policy measures are necessary to complement with demand-side policy measures to address innovation gaps. In addition to policy measures, the state can become an important source of demand for innovation for sustainable economic and social development, in particular through public procurement. For example, the EU market accounts for about 19 percent of GDP. Generally, increasing of the public sector's innovative capacity can enhance the demand for innovation in areas critical to sustainability to address the challenges facing society. Public procurement of innovation results occurs when public authorities act as the “first user” of innovative goods or services, which are not yet commercially available on a large-scale basis and may require compliance. Procuring entity may act as consumer to activate or aggregate demand of other entities.

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**ECONOMIC
GROWTH,
ECONOMIC
DEVELOPMENT:
OPPORTUNITIES
ECONOMY OF
INNOVATIVE
TYPE**

The crisis situation in the economy of Ukraine necessitates the identification of the causes of what has happened, to determine the directions of formation the economic system, capable of ensuring new quality of economic growth and further economic development. Such opportunities will become a reality as a result of forming an economy of innovative type, which will help to overcome a number of problems that are facing our country today.

In modern conditions the question arises of the necessity of restructuring economy of Ukraine by an innovative model that will contribute to the dynamic economic development, the formation of profile the country within the continental and global civilization development.

According to V. Geyets, most indicators have deteriorated, including those that characterize life not only in so-called social but also in physical terms, as life expectancy has decreased and both the level physical and psychological health of the population has decreased [2, p. 32].

A research the position of Ukraine on components the Global Innovation Index in recent years indicates a certain improvement the

situation. So, Ukraine ranks the 2017 ranking 50th in with an innovation level of 37.6 points out of 100, improving its position by six positions compared to the 2016 rating, by 14 positions – by the 2015 rating and by 21 positions – with a rating of 2013. However, in 2019 (Global Innovation Index 2019), Ukraine ranked 47th overall, last year it occupied the 43rd position. The basis of Ukraine’s innovative competitiveness is human capital and research, as well as the knowledge and results of scientific research. Their effective realization is a major competitive advantage. However, compared to 2017, by sub-index “the human capital and research”, Ukraine lost 2 positions, moving from 41st to 43rd place, and in 2019 – 51st place. This was due to a reduction costs in education as a percentage of GDP (22nd place – 2017, 26th place – 2018) and R&D costs as a percentage of GDP (54th place – 2017, 62nd place – 2018).

At the same time, under the index “knowledge and results of scientific research” Ukraine is ranked 28th in the overall ranking. Assessing the resources and results of innovative development in the context of the Global Innovation Index – 2019, it should be noted that Ukraine ranks 82nd [23].

Among the strengths of this sub-index are the following indicators: knowledge creation (15th place), the ratio of patents by origin to GDP by purchasing power parity (19th place), the ratio of utility models by origin to GDP by purchasing power parity (1st place), computer software costs as a percentage of GDP (17th place), ICT services exports as a percentage of total trade (15th place).

In the Global Competitiveness Rating, the highest points Ukraine received on such components as “Skills” (45th place), “Market Size” (47th place), “Infrastructure” (57th place), and “Innovation Capacity” (58th place). However, according data to various sources, “competitive position of Ukraine is volatile: according data to the World Economic Forum in the Global Competitiveness Report 2017-2018, Ukraine ranked 81st place among 137 countries researched. According to the Innovation Development Index presented by Bloomberg in 2018, Ukraine ranks 53rd place among the 60 countries researched [24]. Also among the disappointing trends are the following: “in Ukraine there is a gradual degradation of innovative potential: according data to the State Statistics Committee, the number of researchers in Ukraine is shrinking rapidly (from 133 744 people in 2010 to 59 392 in 2017), science intensity of gross domestic product (costs on scientific research and scientific-technical (experimental) developments by all sources as a

percentage of gross domestic product) in 2017 amounted to only 0.45 percent, the dynamics of the number of enterprises engaged in innovation is negative (in 2017, reducing the number of industrial enterprises engaged in innovative activities by 9 percent compared to 2016 to 16.2 percent of all industrial enterprises) [16]”. Against this background, on July 10, 2019, the Ukrainian government approved “the Strategy for development of the sphere of innovative activity till 2030”. The strategy outlines the first steps that need to be taken to overcome such a negative situation and its consequences and radically change the approach to development and implementation innovation in Ukraine. In particular, it is envisaged to stimulate innovation activity, as well as to develop mechanisms for implementing innovative methods in economic activity.

It is necessary to formation a strategy of economic development of Ukraine aimed at overcoming its crisis state, creating conditions for economic growth and using all opportunities for further dynamic development. Such a strategy can be effective, its implementation will help to overcome the problems that are facing our society only when the Government of Ukraine starts to work closely with national producers, represented by various associations and with foreign economic partners, clarifying the conditions necessary to ensure fair competition (i.e. approximately equal competitive conditions) [4, p. 48].

It is about a new strategy that will allow the country to modernize its economy in the path of innovative transformation and integrate into the world economy as an equal partner. Undoubtedly, Ukraine has potential (both theoretical and practical) opportunities to prevent the destructive tendencies that cause the crisis state not only in the economic but also in the social sphere [11, p. 5]. It is clear that the new economic strategy requires both an appropriate economic mechanism and a conceptual apparatus to reflect the realities of today’s economic life.

A characteristic component of innovative development the country, as well as its readiness to build a post-industrial society is the level of funding for science and scientific-technological development. The total costs in 2018 for the implementation of R&D by own resources the organizations amounted to 16773.7 million UAH, including labor costs – 8553.0 million UAH, other current costs – 7456.3 million UAH, capital costs – 764.4 million UAH, of which costs for the purchase of equipment – 588.0 million UAH. [9].

Hopeless carry out the policy of “survival” to science, scientific-technical potential instead of its updating and qualitative improvement

for alignment with the needs of a market economy [3, p. 116].

Against this background, it is advisable to re-examine from the theoretical point of view the essence of the categories of “economic growth” and “economic development”, their interconnections and differences, taking into account their own conditionality.

In the contemporary economic literature there is no clear definition of the content of the category of “economic growth” in both total economic and political economic aspects. Thus, in the Economic Encyclopedia (edited by L. Abalkin), economic growth is regarded as “a constant increase in the real volume of production, accompanied by an improvement in the technological, economic and social characteristics of society” [13, p. 526]. The textbook “Economic Theory”, edited by A. Dobrynin and L. Tarasevich claimed that “in modern economic theory, economic growth, as a rule, is understood not the short-term rise and fall of real production volume relative to natural value, but long-term changes in the natural level of real production volume, associated with the development of productive forces in the long-term time interval” [7, p. 288].

The authors of modern economic dictionary believe that economic growth is the growth of modern production and consumption in a country that characterized primarily by such macroeconomic indicators as gross national product, national income. Economic growth is measured by the rate of growth or growth of these indicators over a period of time (the ratio of indicators at the end and at the beginning of the period or the ratio of growth of the indicator to its initial period [17, p. 462].

The main disadvantages of the above definitions are, first, the emphasis on the quantitative characteristics of this category, secondly, the non-integrated approach to change that causes such growth within the economic system, and third, the statement is unclear “about changes in the natural nature of the real volume production”. At the same time, should be considered positive an attempt by some authors to link economic growth with changes in productive forces [13, p. 526].

More meaningful characterizes economic growth A. Szcetinin, who argues that economic growth is a constant increase in the production of goods and services on the basis of a qualitative improvement of the entire functioning of the national economy. Thus, A. Szcetinin believes that economic growth is said when not only does increase the scale of production, but when the economy itself becomes more efficient. In reality, economic growth is an extremely difficult process not only in

terms of factors and conditions of its implementation, but also the position of the peculiarities of the development and functioning of productive forces that provide this growth [22, p. 329]. It is understood that economic growth should not be linked only to quantitative changes, although they are decisive. S. Mochernyi emphasizes that economic growth means a process of quantitative-qualitative shifts within the technological mode of production, caused by relevant contradictions and factors, and is expressed in an increase in the volume of social production. Economic growth belongs to economic categories, and therefore does not directly affect changes in other elements of the economic system, especially in the public form relations of economic property [13, p. 527].

It should be understood that, despite their interconnections, economic development and economic growth are compatible with each other, but not identical [19, p. 100]. Economic development reflects the irreversible, aimed at regular changes in the technological mode of production, and economic growth is devoid of such features, as it can be interrupted by the economic downturn. Economic growth without its inverse nature is a component of economic development, which gradually accumulates for him the changes that cause the emergence of essential transformations [13, p. 527].

Economic growth is quantitative economic development, and economic development is qualitative economic growth. Distinctive features between them are shown in Table 3.4 [13, p. 99-100].

In summary, we emphasize that economic growth is based on economic development, forming as if its foundation [19, p. 100].

Therefore, today is urgently relevant the problem of developing a viable model of sustainable economic growth, its implementation will contribute not only to its achievement but also to the basis for a qualitatively new type of economic development. The application of such a model should be aimed at changing the economic dynamics, the dominance of qualitative transformations over quantitative ones. This will allow to ensure socio-economic development, in terms of both economic growth and zero (and even negative) economic growth rates based on the realization of the principles of introversion, inclusivity and innovative development [4, p. 52].

Undoubtedly, for Ukraine, which is only embarking on the path of innovation development the main priority is the transition to an innovative model of economic growth, which requires research and use of foreign experience. Successful introduction and adaptation of the

Table 3.4

Distinctive features the concepts of “economic growth” and “economic development”

Distinctive features	Economic growth	Economic development
1. Fundamental concepts	Purpose, tasks, motivation, value orientations, institutions that determine the directions of development	Conditions and factors are determining, stipulating and limiting
2. The place and role of people and human resources	The dual role of people: as a factor of production and as a criterion for development	Human labor as a criterion for increasing GDP per capita
3. Institutional environment	Accompanied by significant institutional changes	Abstracted from institutional changes, reliance on rational economic behavior
4. Impact and natural environment	Significantly affects on the natural environment	Significantly affects on the natural environment

components of the innovative economic development models significantly intensify the reform of the national economy in the way of its innovative development.

As for the economy of innovative type it is treated as economy based on knowledge and information technology. It is assumed that its main effect is not only in the production of high-tech products, but in its productive use in all spheres and industries, levels of impact on the entire economy and society. This understanding of the innovation economy gives grounds to claim that the innovation economy is a knowledge economy, an intellectual economy and a type of economy based on the flow of innovation, on continuous technological improvement, on the production and export of high-tech products with very high added value and technologies [5, p. 5].

Based on such qualitative characteristics of an innovation type economy, one has to assume that innovation is a complex economic and organizational process that relies on the use of two types of potentials – scientific, advanced technologies and technique, on the one hand, and intellectual, related to management capacity to implementation of the innovation at all stages of production and commercial activity [1, p. 67].

For a full-fledged existence the innovative type development of economic must be based on the following principles:

- high index of economic freedom that ensuring freedom of work and its movement, freedom of business, security of citizens, protection of private property, freedom competition for quality and efficiency, rational and scientifically substantiated presence in the economy of the state, high demand of the side economy for investments;
- high level quality of life. In accordance with this principle, human capital flows to where it is more comfortable to work and live by qualified and competitive professionals;
- high innovation activity the entities of economic activity;
- the significant advantage of human capital over physical capital in national wealth; competition between innovative tools and approaches, market choice of the most effective ones [10, p.66].

Of paramount importance is the need to develop and implement a system of state and non-state methods of stimulating innovation processes that would be consistent with the economic realities of our time and cover the widest range of innovation activities.

The purpose of the concept is to create an effective mechanism that will activate innovative, scientific-technical potentials and ensure the opportunity innovative self-development of the country.

Based on the relevant principles and in order to solve the set tasks it is necessary to develop a conceptual model of innovative type of economic growth, which is presented in Fig. 3.6.

The main goal of the state innovation policy in Ukraine should be to determine the creation of socio-economic, organizational and legal conditions for effective reproduction, development and use of scientific-technical potential the country, ensuring the introduction of modern environmentally friendly, safe, energy- and resource-saving technologies, production and sales of new species competitive products [6].

However, unfortunately, the existing model of the national economy slows down the potential which inherent the economy of innovative type. The main disadvantage of build in Ukraine the nationally variant of oligarchic economic structure is the extremely low level of innovative (non-social) growth component. According to research, in Ukraine the demand for innovation from domestic enterprises remains too low, which does not meet the needs of sustainable economic development, and that this tendency could not overcome even the crisis phenomena.

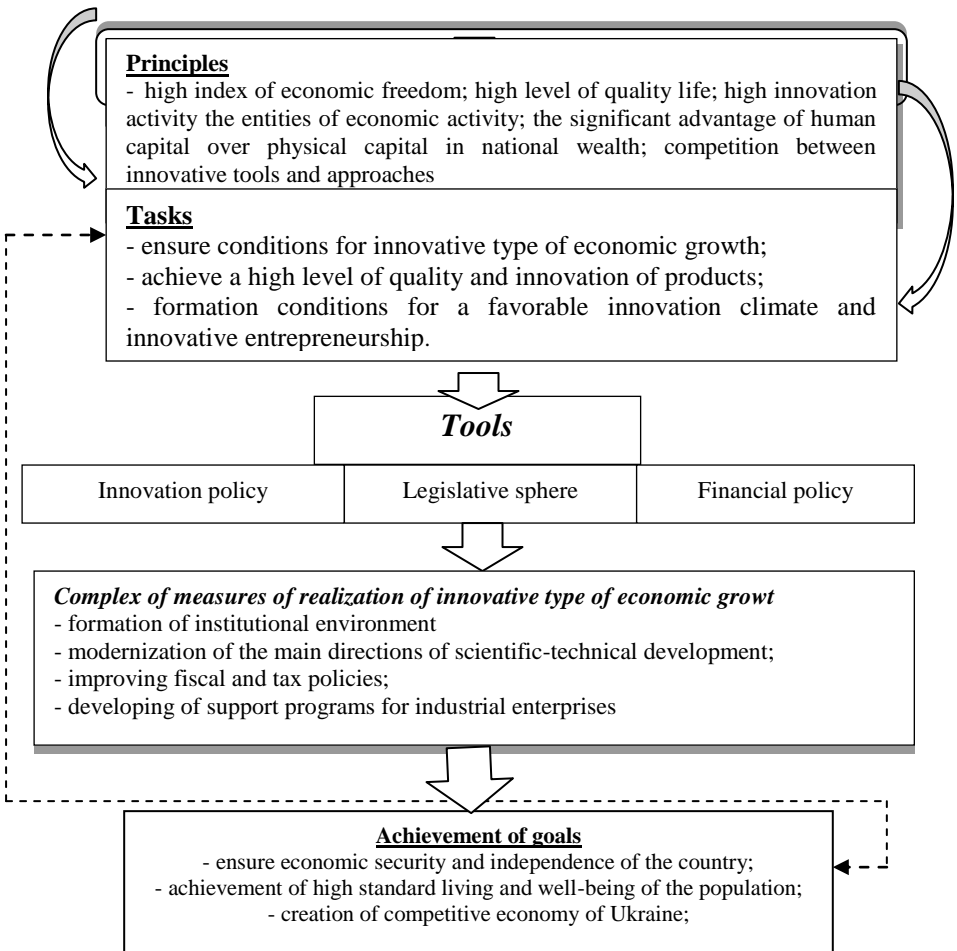


Figure 3.6 Conceptual model of innovative type of economic development

Source: developed by the authors based on [9]

This is confirmed by the fact that the share of enterprises that implementation the innovation is 10%, while in developed economies it is considered normal 60-80%. Therefore, Ukraine has a rapidly growing primitive of the national economy [12, p. 61].

It is our deep conviction, when forming an innovation-oriented model of the economy we have to start with that in this type of economy

is growing rapidly the role of intellectual capital: its share in the value of enterprises in the countries of Western Europe reaches 50-60%, we have only 1%. Traditionally, in Ukraine, the value of enterprises is calculated by the volume of tangible assets, while increasingly playing role are intangible assets. This significantly reduces the cost of our enterprises, gives a limitation of the idea of their real value [20, p. 9].

Given this reality, information and knowledge, due to their qualities, should occupy a leading position in the innovative development of Ukraine. It is they that predetermine the intellectualization of the economy, the effect of intellectual capital, which is the source of innovation, the growth of intellectual property, intellectual production [20, p. 9].

Qualitatively new in the mechanism of functioning of the economy innovative type is that scientific-technological progress becomes a key factor of economic development. Within the economy innovative type, there is a combination of science, technique and production, fundamental and applied sciences, and accelerating their introduction into production processes. This combination contributes to the formation and development of a new structure of national innovation systems, which mark the further integration of science and production, enhance their interaction for the sake of improving the scientific-technical level, increasing the efficiency and competitiveness of production. All this gives grounds to consider the national innovation system as an integral part of the functioning and development of the economy. Its availability significantly changes the conditions of economic growth and economic development.

Ukraine is able to go this way. Testament to that it is past experience. In 1999, in the nations of the country was concentrated 6.5% of the world's scientific-technological potential: for every thousand workers there were 11 employed in the scientific-technical sphere [18, p. 9].

Therefore, as it is not sad, it should be noted that over the years Ukraine has lost its scientific-technical potential, there is no revival of national science and technique, there is any transition to an innovative model of development. On the contrary, there is a reverse process. The number of organizations who are engaged in scientific research has tended to decline. In general, the number of employees in scientific institutions of the public, entrepreneurial and educational sectors in Ukraine is 0.63%, the employed population in Russia, Belarus, respectively 1.1% and 1.8% [8].

Building an economy innovation type cannot leave aside the problem

of financing innovative activities. In this regard, it is appropriate to compare how happens financed of innovation processes in Ukraine and developed countries.

In Ukraine the funds for scientific activity every year are increasing in absolute terms, but their share in GDP is less than 1%. In developed countries, the indicator knowledge-intensive GDP reaches 2 to 4% or more, and in Ukraine – 0.75% [8].

It's undoubted that, first of all, should be increased funding for applied scientific research and scientific-technical development. So far, in the structure public funding, remains disproportionately large the share of fundamental research – 24%, although, according to experts, may be considered the best – 15%.

However, despite the realities that exist today in Ukraine regarding innovative activity, it has not yet completely lost its scientific-technical potential. In Ukraine are being developed unique products and technologies, but for their implementation is required the effective state support and provided by law the possibilities of attracting various sources of funding. The state should use all opportunities to create conditions that will activate national scientific-technical potential, direct efforts to formation a favorable environment for innovative development, introduction of new technological structures, closing the gap between science and production, ensuring a real transfer of technologies [14, p. 41].

Only in this way – by embarking on the path of building an economy innovative type, Ukraine in the coming years will be able to succeed in all spheres of its activity and integrate into the European community.

In modern conditions crucial for Ukraine is the problem of changing the strategic vector of economic development, which should be based on a qualitatively new model of economic growth and economic development on the basis of innovative processes in all spheres of the national economy. International experience shows that countries that have built an economy innovation type have been able to engage in a new mechanism for both economic growth and economic development, which has significantly increased their level of competitiveness in a globalized society.

Ukraine has the potential opportunities to realization this strategy – a strategy for activating innovation activity, if the state makes significant adjustments to the content of economic policy, will create conditions for its development in the short and long term.

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BUSINESS AND TOURISM DEVELOPMENT POTENTIAL AND PROSPECTS IN UKRAINE

Tourism as one of the most profitable sectors of the world economy in the XXIst century becomes a leading area of economic and social development of Ukraine. International experience shows that a modern tourist infrastructure is a necessary prerequisite for the active and successful promotion of this industry on the state market and for individual tourist centers. Business tourism is especially attractive among perspective, innovative directions. Today, business tourism is shaping the economy of many countries and regions, becoming an important factor in the sustainable development of the global hospitality industry.

Business tourism worldwide is considered the most promising type of tourism. Even in times of economic and political crisis, the demand for corporate events remains steady, with a steady upward trend. International business tourism plays a big role in raising the country's rating, cities that hold business meetings, can help to position them as

quality centers for hotel services in the real economy. In the world practice, instead of the term “business tourism” is often used the English term “business travel”, or the abbreviation MICE, which accurately reflects the structure of this type of tourism: meetings, incentives, conferences / conventions, exhibitions, which in translation means: business meetings, incentives tourism, conferences / conventions, exhibitions.

In all developed countries there are business tourism associations, specialized publications, training centers, exhibitions of this field of business are held [1]. Business tourism emerged as a separate direction only 20-30 years ago. Now a business trip is the fastest growing tourist destination. Taking into account the relevance and perspectives of business tourism in Ukraine today it is necessary to promote the development of infrastructure of this industry, to create an information database on offers and consumers of services by promoting and developing the world concept of business tourism, educational activities. With the positive image of tourism infrastructure in the organization of business tourism, the role of international corporations in the economy of the state will significantly increase.

Business tourism infrastructure plays a leading role in hotels and business centers, while at the same time, these establishments must be specialized, capable of providing efficient, business-friendly activities for all tourists. Advertising of domestic hotels, first of all, of the highest category, states that business tourists are provided with the full range of necessary conditions for professional work. However, the real situation is reduced only to the offer of individual high-class hotels of a small space – a “business center” with limited services.

In the national hotel business, the business center is most often associated with an office that combines Internet, fax and separate conference rooms. In specialized hotels abroad, a business center is an organization that offers a range of services for any category of business guests at the hotel and beyond, throughout the client’s stay in the establishment.

Sustainable economic growth trends and European integration processes in Ukraine, growing demand for office space and high-end business services make it necessary to develop state-of-the-art infrastructure. To this end, it is important to develop the main principles of creating a modern tourist infrastructure, current concepts of building complex management systems for business hotels and business centers, the problems of forming a single information space. To implement these

approaches, it is necessary to analyze the ways and methods of increasing the investment attractiveness of construction projects, the modernization of the modern hospitality facilities network, and the services of business tourists in full.

Today in Ukraine, only 18% of hotels meet the requirements of international quality standards in terms of business class comfort. Geospatial almost all high-class hotels are located in Kiev and the largest regional centers (Odessa, Lviv, Kharkiv, Dnipro). At the same time, according to monitoring of infrastructure by international specialized organizations, hotels of high category of Ukraine are significantly inferior in terms of service, occupying the last position among hotels in Eastern Europe.

The problem of creating a hospitality infrastructure with a modern level of comfort for the reception of business tourists can be solved by creating national hotel unions with their gradual entry into international hotel corporations. In this case, a comprehensive approach is needed with the analysis of methods and means of increasing the investment attractiveness of construction projects and modernization of modern accommodation facilities for business tourists, ownership and management organization, as well as stabilization of the hotel services market by increasing the occupancy rate and at the same time implementing a flexible pricing policy with modern pricing realities.

Today, widespread adoption of franchising is considered appropriate, which will improve the efficiency of business operations and does not require changes in ownership. Organizations that are capable of consolidating hotel businesses into hotel chains must, first and foremost, have significant financial resources or be able to attract them. Optional condition is the profile of hospitality, hotel business ownership. At the same time, an important problem of successful franchising is the preparation and development of a cost-effective business project.

Topical today, there is a stabilization of the domestic business tourism market, stable slow tendencies of growth of the main economic parameters of the functioning of the tourist infrastructure objects – increase of revenues with simultaneous normalization of direct tariffs. Increasing demand for hotel services raises the problem of supply diversification by expanding services and forming flexible pricing policies. However, in terms of accommodation prices, Ukrainian hotels remain expensive establishments.

A topical issue in the hotel industry in Ukraine is the implementation of financial management principles for effective enterprise income

management. The flexible pricing policy will lead to an increase in demand during the period of decrease in the number of customers, but in the case of steady demand, the volume of discounts should be reduced. Another major problem of financial management is the introduction of a tariff system, in particular for hotels that specialize in receiving certain categories of business tourists.

It should be noted that in the last two years, due to the positive changes in the legal framework of the business activities of the hotel enterprises, in addition to the abolition of the hotel fee, other laws aimed at activating the hotel business have been adopted. In most cases, the cost of living has not decreased, the freed up financial resources are often channeled into diversification of production – reconstruction of the number fund, expansion of the range of services. In such a situation, there is an increase in occupancy in hotels of different categories, sizes and spatial location.

First category hotels are the leaders in the business tourism market by average revenue per room, their performance is 100% higher than the category of three star hotels. The four-star category is inferior to the leaders, but less noticeable. Consequently, the location of the hotel plays a significant role in the economic performance of the hotel, the rooms in the remote centers of larger hotels give lower revenues, regardless of the category of the hotel.

It is important to note that according to the analysis of the economic performance of the hotels in Kiev and Lviv, hotels of four to five stars, even during the period of significant decline in profitability in the hotel sphere during 1996-2003, had a stable demand. This fact indicates the highest stability of the market of high-class hotels and does not imply any significant changes with the emergence of new competitors in this segment. Today, the upper segment market is able to provide new offers, given that the volume is no more than 10% of the existing hospitality base. In other market segments, increasing demand for services necessitates the expansion of hospitality facilities. However, the problem of building new hotels is due to the low investment attractiveness of the hospitality industry.

Modern hotel companies in Ukraine have a typical service structure, low assortment and specialization to serve business tourists. First of all, specialized enterprises should be established in the main business centers of the state – the capital and regional centers. With the exception of Kiev, there are virtually no presentable hotels in the other centers to accommodate guests of the highest level of authority – statesmen,

politicians, businessmen, cultural and sports figures. In the largest regional centers – Kharkiv, Dnipro, Odessa, Lviv, Zaporozhye, Sevastopol, in the coming years, construction of one or two five-star hotels should be envisaged to meet the demand of business tourists. At the same time, high-end hotels need to diversify their range of services and modernize their facilities.

The deepening of specialization and the introduction of high standards of service in the national hospitality area are associated with the creation of traditional in the global hotel industry corporate forms – international hotel chains. Leading hotel companies affiliated with the corporation operate a collective business, under the sole control of the chain management. Professional management is fully responsible for the efficiency of its operation, strengthening its competitive position. Technologically, the successes of corporate hospitality have been linked to the high quality of the hotel product, the identity of the services and the availability of prices across the network.

The unification of hotels under one control gives significant economic benefits to both the owners of the facilities and their operators. The main advantage is the reduction of overall costs, the functioning of a single integrated reservation system, centralized supplies of supplies, unification of services and more. At the same time, in the domestic hotel business, the corporate governance mechanism is a typical phenomenon. The main reasons are lack of corporate governance experience, significant financial risk associated with the bureaucratic business deployment process, lack of a clear legislative definition of the legal, economic and organizational aspects of creating and developing a competitive environment in the hospitality market. The legal framework should facilitate the formation and entry into the market space of new hotel establishments, in particular, the creation of conditions for legal protection and the survival of small forms of hospitality.

Topical in the hospitality infrastructure for business travelers is the problem of professional training and personnel management. An analysis of the staffing potential of the Ukrainian hotel enterprises shows that only 10-15% of the staff has higher or secondary specialized education in tourism. A large proportion of staff has short-term training in paid seminars and courses. Particularly urgent is the problem of professional training and qualification of managers of structural units and units in hotels. The main problem in training the personnel of the hotel enterprises of Ukraine, with the exception of the leading institutions of the capital and the largest regional centers, is the

possession of the basics of hospitality – foreign language, psychology, ethics of communication and behavior, etc. In recent years, the opening of professional universities, faculties, departments for training specialists in the tourism industry, compulsory study of two foreign languages, internship students in leading hotels and tourism firms to master the modern experience of management and production processes in tourism and hotel business, will promote higher quality management processes and service technology in this area.

Leading hotels and educational establishments organize internships for specialists in foreign specialized universities, hotels and tourist enterprises. At the level of state tourism management bodies, scientific and educational institutions develop and implement national principles and standards for professional training of tourism industry professionals, based on international standards, interests of national tourism business, oriented towards enhancing the role of industry in accordance with national development priorities.

The implementation of the strategy of intensifying business tourism in the structure of inbound and national tourist flows necessitates the creation of a business center infrastructure, entertaining attractions, trade enterprises and services in modern hotels. Managers need to direct efforts to implement a comprehensive approach to creating a smart hotel infrastructure that encompasses architectural, construction, engineering, and operational solutions. The implementation of the principles of “intelligent hotel” will provide the operational services and customers of the institution quality service. In this case, the activity of the hotel complexes should be aimed at ensuring different wishes of the clients.

Among the main services required for business travelers are telecommunication services, ie the ability to quickly obtain and transmit information, automated management of life support systems, air conditioning, satellite and terrestrial television, identification and access control systems, etc. Technical support for telecommunication services should take into account the latest ways of transmitting information. Today, only certain national hotel complexes can provide the allocation of funds for the creation and maintenance of state-of-the-art automated control systems.

Improvement of modern tourism infrastructure is recognized as one of the priority directions of national economy development at the state and municipal levels. In this case, not only entertainment and recreational but also business tourism becomes a strategic direction.

According to UNWTO and WTTC forecasts, over the next ten years, business tourism turnover will increase by 3.7% annually, rising from \$ 1.15 billion in 2017 to \$ 1.7 billion in 2027. Currently, the share of business travel in the world is 13% [2]. Also, tourism experts agree that business tourism is one of the most profitable types of tourism. Yes, it is this type of travel that brings 50% of revenue to airlines, 60% to hotels and 70% to car rental companies.

One of the profitable features of this tourism is the demand for the combined program: about 3 days of active work in the conference room, and then 1-2 days of saturated rest with excursion trips. In this case, the daily expenses of such tourists average about \$ 345, while the same family tourist spends up to \$ 200 a day [3].

The broad definition of business travel and tourism is simple, but it covers a variety of forms of business travel and tourism. This typology is not exhaustive, but covers most of the main forms of business travel and tourism [4].

In corporate tourism, the clients of the travel agency are legal entities or agents of companies. As a rule, they are solid corporations that have business interests in many parts of the planet, which entails the need to travel regularly. Travel agencies that specialize in serving corporate clients seek to gain their trust and provide the most convenient terms and priority service, which are usually discussed in a bilateral contract. Corporate clients have special requirements for speed and quality of service delivery. In the competition for the corporate client wins the most highly qualified and knowledgeable travel agencies that are able to quickly and flexibly respond to the smallest changes in the tastes and preferences of their clients. Business tourism plays a significant role in the international, domestic and foreign tourism of Ukraine, the prospects for its development – as the most favorable.

In order to understand the necessity of business tourism, it is necessary to pay attention to the basic stages of development of any business or enterprise: identification of key partners, territorial-geographical location of enterprises, cost and investment calculation, etc. At each of these stages, the presence of managers or experienced professionals is required at a particular site or during a process. Thus, there is a need to move people and travel them from the central branch to the regional, from one subsidiary to another, etc. [5].

According to international statistical surveys conducted in tourism, one of the most important indicators is the number of arrivals, that is, the number of registered tourists who arrived in or departed for a certain

period of time, usually a calendar year. Thus, income / earnings statistics are the basis for reflecting tourist flows between countries and regions.

The role of business tourism in Ukraine is gradually increasing. According to the State Statistics Service of Ukraine, the business segment includes those tourists whose purpose is a business or business trip, study. An interesting tendency is the increasing interest of Ukrainians in domestic tourism, which may be due to financial constraints and growing interest in their own country [5; 6].

It is not easy to accurately estimate the percentage of business and non-business trips of our citizens, since statistics are not actually tracked by Ukrainians within the country, and the vast majority of domestic business travelers travel abroad on ordinary tourist visas.

Nevertheless, it can be argued that every year business tourism is reaching more and more residents of Ukraine. In 2017, Master Card published the results of a global statistical survey on international tourism in the Global Destination Cities Index. The survey is based on ratings of cities that the company considers to be tourist destinations, based on several parameters related to the number of tourists who visited these cities during 2016 and their cost indicators in these cities.

Data are presented globally as well as by region of the world. The authors of the study also cite the sources of the obtained data and the method of their processing. According to the survey, the percentage of the business segment is quite significant and ranges from 9.2% in Istanbul (8th place, 12 million visitors total) to 29.7% in Paris (3rd place, 18 million visitors total). It is worth mentioning Shanghai (19th place, total 6 million visitors), where business tourists make up 54.6% of the total. From the neighboring cities of Ukraine, only Istanbul (11.95 million visitors) and Prague (5.81 million) were in the top 20.

Moreover, none of the Ukrainian cities has reached the top 100 tourist destinations, although this list includes such European cities as Budapest (40th place, 3.36 million visitors), Moscow (59th place, 1.83 million), Warsaw (72nd place, 1.37 million), Bucharest (81nd place, 1.05 million), Sofia (84th place, 1.01 million) and St. Petersburg (85th place, 0.99 million). The study found that the data were collected from 132 cities in the world, including 36 European cities.

Among the Ukrainian destinations was only Kiev, which together with Novosibirsk, Yekaterinburg, Minsk, Almaty, Dhaka, Tehran, Dakar, Lagos and Accra did not publish official statistics. As a result, Master Card had to operate valuation data based on IATA passenger traffic. It is clear that such an assessment was not in favor of the

Ukrainian capital, because not every tourist gets to Kiev by air, and even those who arrive in Kiev do not necessarily use the services of IATA member airlines [7]. It is possible that the KSCA Tourism Office should reconsider its policy of cooperation with reputable international organizations, and it is possible that in this case Kiev would still appear in the top 100 tourist cities in the world, though not in the first positions. However, local and regional authorities of tourist cities and regions of Ukraine should also strengthen their interaction with reputable international institutions. At the present stage of development of business tourism in Ukraine the following key types can be identified: international, regional, domestic.

International business tourism involves traveling with a view to establishing business relations, visiting a foreign branch or headquarters in another country in the world. The regional type of business tourism is inherent in the neighboring countries, between which there is close industrial cooperation. Domestic tourism is a business trip within a country.

In Ukraine, the business centers are the following cities: Kiev, Lviv, Kharkiv, Dnipro, Odessa. The main task for Ukrainian business tourism today is to join forces. One of the first steps in this direction was the MICE 2007. The MICE exhibitions and conferences are now held annually and can confidently be considered a bridgehead for the promotion of international business tourism exhibitions, such as IMEX in Frankfurt, ITB in Berlin, WTM in London, Fitur in Madrid, MITT in Moscow, EXPO in Hanover and others. In addition, holding international conferences and exhibitions in Ukraine shows foreigners that we can travel, as there are proper conditions and security.

The Association of Business Tourism of Ukraine, which includes enterprises involved in the field of travel organization, conferences and hotel service, is intended to represent our country at the international level and together with the state to develop a common strategy for the development of the industry. Unfortunately, while at the state level the concept of business tourism is not separated from tourism in general, therefore there is no targeted program for the development of this segment of the tourism industry [1].

Meanwhile, business tourism in Ukraine is out of place. In 2017, significant events took place that testify to a change in views on the business tourism and meetings industry in Ukraine. More recently, discussing the potential of business tourism for the development of tourism and even the economy of the regions and the country as a

whole, in response to representatives of the legislative, executive and local authorities, as well as representatives of the tourist wing of the government and some representatives of the tourism industry, was a complete misunderstanding. Business tourism, if perceived, is on par with children's, rural, gastro, eco, sports, green and other subspecies of tourism.

The Ministry of Economic Development and Trade held a roundtable on stepping up the development of business tourism in Ukraine, where the heads of tourism units of city and regional councils and administrations with full understanding of the importance of business tourism and industry meetings for the development of the region's economy discussed the practical aspects of the development of this promising industry.

As a result of a partnership between the Business Tourism Association of Ukraine (BTA Ukraine) and the International Association of Professional Congress Organizers (IAPCO), the efforts of BTA Ukraine have created a Ukrainian version of the glossary of terminology used in the global meeting industry developed by IAPCO. An online dictionary of 1100 words in 15 languages is an encyclopedia of communication for the meetings industry. Designed for practical use, 1100 terms and definitions have been translated into 15 languages: English, French, German, Spanish, Italian, Dutch, German, Portuguese, Finnish, Swedish, Greek, Japanese, Chinese, Russian, and now also Ukrainian. It covers all aspects of services, methods, organization and equipment related to international events [8].

Ukraine's joining various international organizations, holding European and world forums, sports competitions and championships in our country make it possible to quickly change the situation for the better. Therefore, Ukraine has every opportunity to become a world-class tourist business state.

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**USE OF TYPOLOGIES
AND RISK MAPS IN
THE SYSTEM OF
INTERNAL
FINANCIAL
MONITORING**

The need for reforming the system of anti-money laundering, terrorist financing (ML/FT) and financing of the proliferation of weapons of mass destruction, one of the elements of which is the introduction of adaptation mechanisms in the field of state regulation and supervision is a very topical issue. Risk assessment and a risk-based approach are the first recommendation of international standards of Financial Action Task Force on Money Laundering (FATF) [12].

The problem of countering the legalization (laundering) of proceeds from crime and the financing of terrorism is of particular importance both for Ukraine and for the whole world, due to the general increase in the level of danger. According to FATF Recommendation 1, countries are required to disclose, review and assess national ML/FT risks using a

risk-based approach to compare the identified risks with preventive or post-preventive counteraction ML/FT activities [14].

For any state, regardless of the level of development of its socio-economic and legal systems, the penetration of “laundered” income into the national economy leads to a certain deformation of the financial and economic system.

In the process of preventing and combating the legalization of proceeds from crime in Ukraine, it is important to clearly define the criteria for identifying transactions by the subjects of primary financial monitoring (hereinafter-SPFM) and mechanisms for transmitting information about the operation, because this is the basis for the effective functioning of the system of internal and mandatory financial monitoring [10].

According to article 16 of the Law of Ukraine “on prevention and counteraction to legalization (laundering) of proceeds from crime, financing of terrorism and financing of proliferation of weapons of mass destruction” (hereinafter the Law) [10] in internal financial monitoring it is necessary to apply the results of typological studies, which requires their analysis, generalization and adaptation to the conditions of activity of specific financial institutions.

The following scientists devoted their works to the development of anti-money laundering systems: Andreichenko Zh. O. et al. [2], Dmitrov S. O. et al. [1, 4], Kovalenko V. V. et al. [6], etc.

The aim is to develop theoretical provisions and practical recommendations for the effective use of typologies and building a risk map in the internal financial monitoring of financial institutions.

The importance of using international standards and typologies lies in the development of measures to prevent and counteract the penetration of funds obtained by criminal means into various sectors of the economy, in particular, the financial services market [10, 14]. The international practice of financial monitoring can be transformed and implemented in Ukraine through the analysis and adaptation of typologies of international organizations [6], as well as generalizations carried out by a specially authorized Executive body on financial monitoring (further – the State financial monitoring), taking into account the national characteristics of the financial monitoring process [13].

Since the beginning of the operation of the information and analytical system of the state financial monitoring, more than 20 million reports on financial transactions subject to financial monitoring have been received and processed [13].

The basis of the study is typological reports of international organizations and the national regulator, which are used by subjects of financial monitoring to prevent financial transactions that may be illegal and contribute to the legalization of proceeds from crime.

The existence of risk Criteria for legalization (laundering) of proceeds from crime or financing of terrorism [9] was not exhaustive, therefore, in this area, generalization of practices, typologies, court decisions is an urgent area of research to improve financial monitoring, in particular, internal, which is less structured and is marked by the likelihood of a higher level of risk.

In 2016, the Ministry of Finance approved a new approach to the assessment of the risk of legalization (laundering) of proceeds from crime, financing of terrorism and financing the proliferation of weapons of mass destruction, where it determined the authority of the SPFM to create its risk Maps [9].

The empirical basis of the study is information sources containing standards, typological reports and recommendations of such professional organizations as the group FATF, the Eurasian group for combating money laundering and terrorist financing, the state financial monitoring of Ukraine, etc..

The risk of money laundering and terrorist financing can be assessed by different means, but together they should enable the financial institution to exercise appropriate control over clients and their operations. In financial monitoring, three risk criteria are the main ones [9]: country (geographic); customer; product (service).

The proportion of each in the aggregate assessment of the potential risk of money laundering may vary from one financial institution to another.

Therefore, for example, each Bank as an SPFM should develop its risk assessment system, which should take into account the peculiarities of its activities and the identified typologies.

Establishing the level of the potential risk of money laundering by clients (or a group of clients) is crucial for the formation of an overall risk structure and improving security. Along with the risks of the external environment, the risks of the internal environment are identified on the principle of “know your employee”.

The introduction of criteria for assessing the information transparency of a financial institution and the frequency of changes in the management of its staff will allow a more objective assessment of the risks arising in the process of preventing money laundering,

especially in conditions where primary and internal financial monitoring is not sufficiently formalized [2].

According to article 4 of the Law [10], financial monitoring consists of two levels: mandatory and internal (Table 3.5).

Table 3.5

Accounting of typological studies at different levels of the financial monitoring system

Level	Definition of terminology	Characteristic	Communication with typological studies
Level 1	Mandatory financial monitoring (MFM)	A set of measures of state financial Monitoring for the analysis of information on financial transactions provided by the SPFM, as well as measures to verify such information following the legislation of the country	Indirect, as additional to the established criteria MFM
Level 2	Internal financial monitoring (IFM)	SPFM activities to identify financial transactions subject to MFM and other financial activities that may be related to ML/FT	Direct, typological research is one of the main criteria for conducting IFM procedures

Source: authors' research

As can be seen from Table 3.5, the peculiarity of the features of MFM, as well as the specifics of accounting for financial transactions determines the identification of such transactions in the primary interaction with the client and his documents, which requires special training and constant training of personnel.

For the organization of MFM restrictions from the State financial monitoring is not provided, the financial institution independently determines the threshold amounts of financial transactions and additional criteria for classifying them as doubtful, which is a disadvantage in providing clear standards of control, therefore, the introduction of activities for the analysis of typologies should increase the attention of staff to the essence of financial transactions of clients.

The law [10] determines that a financial transaction is subject to IFM, if SPFM suspect based, in particular, typological studies in the field of combating the legalization (laundering) of incomes obtained in a criminal way or financing of terrorism or funding of proliferation of weapons of mass destruction, prepared and published by the State financial monitoring.

A priority role in the creation of international standards of combating the legalization of criminal proceeds and financing of terrorism belongs to the Group on developing financial measures to combat money laundering – FATF, which requires building an effective system of protection of national economy from the proceeds of crime. SPFM can use links to information sources containing typologies and Recommendations of FATF [1], as well as international organizations.

For Ukraine, typological studies are of interest, in particular, EAG [8], because according to FATF Recommendations, typologies (the most common schemes) of legalization of criminal proceeds and financing of terrorism, inherent in the Eurasian region, are being studied. The results of typological studies allow us to identify the most high-risk zones and sectors, to build an effective risk management methodology. Priority topics of typology research for the region are highlighted by the participants of the plenary sessions of the EAG.

Relevant for banks is the use of internal financial monitoring typologies given in the materials of the 17th Plenary session of the EAG on the legalization of criminal proceeds and financing of terrorist activities using cash and monetary instruments (Delhi, 2012) [7].

According to the data obtained in the course of the study, most of the Respondent States have recently seen an increase in the amount of cash. An increase in the need for money in the economy due to the growth of the national product, higher prices or for other reasons leads to the need for a corresponding increase in the money supply from the banks. However, it is worth noting that the increase in the amount of cash increases the risks of their use for criminal purposes.

The financial services market is a complex, dynamic system that is constantly evolving and subject to control by financial monitoring. Ukraine has established a system to counteract the legalization of funds received as a result of the illegal actions of citizens. According to the State financial monitoring [13] during the second quarter of 2019, the State financial monitoring received and processed 2659310 reports on financial transactions subject to financial monitoring compared to 966 271 reports of the second quarter of 2015, and compared to the same period in 2018,

the number of reports on financial transactions increased by 17,03%.

The most active in the reporting system in the context of subjects of primary financial monitoring, banks, which according to the data of the State financial monitoring send about 98-99% of all reports of suspicious financial transactions, which indicates their priority role in this process.

Every year, the world enters into legal circulation from 150 to 500 billion us dollars, obtained by criminal means. According to estimates of the International Monetary Fund, the annual income of criminal organizations is more than 500 billion US dollars, which is equal to about 2% of the world gross product [14].

The introduction of a risk-based approach in the financial monitoring system is a priority for its improvement and complies with international FATF standards [9].

According to the order of IFI № 584 dated 08.07.2016 “on approval of risk Criteria for legalization (laundering) of proceeds from crime, financing of terrorism and financing of proliferation of weapons of mass destruction” [9] risk assessment is an analysis of the identification data of the client, other available information and information about the client and his activities, the result of which is to determine the level of risk of legalization (laundering) of proceeds from crime, financing of terrorism and financing of proliferation of weapons of mass destruction.

During the analysis of the client’s financial transactions, the Bank on an ongoing basis takes a set of risk-oriented measures, the implementation of which allows to identify of suspicious financial transactions of the client.

One such activity is the Program of identification, verification and study of customers “Know your customer”, which includes the allocation of responsibilities and definition of structural units of the Bank and/or Bank employees are responsible for conducting identification, verification of a client (client's representative), an assessment of the financial condition of the client and updating information about the client and/or persons acting on behalf of the customer, and the orders in [1]: identification, verification of a client (client’s representative), etc..

The Bank uses a point-based risk assessment method, which consists in establishing a risk level indicator by determining the sum of points established for each risk criterion the risk level indicator Can take values from zero inclusive and more.

Compliance control units can view the score assigned to each

criterion based on the results of customer risk monitoring, analysis and risk assessment of services.

During the installation/modification of the client risk level, if the client falls under at least one of the risk criteria, the risk level of such client cannot be defined as “low”.

The scale of the definition of risk levels of use of services of Bank for legalization (laundering) of the income received by a criminal way/financing of terrorism is considered (Table 3.6).

Table 3.6

Determination of risk levels of using the Bank's services for the legalization of proceeds from crime/financing of terrorism

Level of risk of legalization of proceeds from crime	
Acceptable risk level	High-risk level
The number of high-risk customers who use the same type of financial service is less than 75% of the total number of high-risk customers	The number of high-risk customers who use the same type of financial service is more than 75% of the total number of high-risk customers

Source: built by the authors based on source [4]

If the results of the risk analysis of the use of the services of the Bank for legalization (laundering) of proceeds from crime/Finance terrorism defined high risk, employees of financial monitoring Department of the Bank shall determine measures (order and timing) to reduce the risk to an acceptable level.

Conclusions

The data of the analysis of the effectiveness of measures in the field of financial monitoring indicate an increase in crime, fraud, money laundering, so the proper assessment of the risks of money laundering requires further improvement. The risk management strategy for the use of financial services for the legalization of criminal proceeds or the financing of terrorism should be chosen taking into account the specifics of each particular financial institution: its size, the presence of a branch network, priority areas of activity.

The typologies of the use of cash and monetary instruments in illegal activities are considered, as well as the signs of such suspicious transactions, which are most characteristic of the Ukrainian financial sector, are highlighted.

It is desirable to make wider use of international experience in combating this phenomenon, to create a coordinated system mechanism to counter international manifestations of money laundering.

Given the need to improve the effectiveness of financial monitoring to prevent the laundering of illicit income, international organizations recommend a risk-based approach. The current legislation establishes the need to assess the risk of SPFM clients according to such criteria as: by type of client, by risk of financial services and by geographical risk and risk by type of priority.

The necessity and importance of establishing the level of risk of legalization of criminal proceeds of SPFM are determined since they can both directly conduct financial transactions on the legalization of illegal income, and contribute to their conduct due to deliberate actions or insufficient competence of employees responsible for internal financial monitoring.

The article considers the point method of determining the level of risk of legalization of criminal income of the Bank, which has advantages: it gives a fairly reliable assessment, combines quantitative and qualitative indicators, is simple, understandable and convenient for use. It can be used both by the Bank to determine the effectiveness of the risk management system for the legalization of illegal income or for the needs of determining the risk of legalization of illegal income of a particular financial service, and by the National Bank to determine the frequency of inspections of the Bank on financial monitoring.

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Chapter 4

STRATEGIES OF COMPETITIVENESS IN ENSURING SUSTAINABLE SOCIO- ECONOMIC DEVELOPMENT

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MANAGEMENT OF THE ENTERPRISES COMPETITIVENESS UNDER CONDITIONS OF SOCIO-ECONOMIC DEVELOPMENT

The problem of sustainable socio-economic development implies the creation of such social and economic system, which ensures ability of the economy to withstand external and internal influences. In terms of sustainable economic development, the issue of managing competitiveness of enterprises becomes more important.

The analysis of scientific and theoretical approaches to determining and assessing enterprise competitiveness and previous studies prove that the products and services quality directly affects the competitive abilities. In this regard, the issues of quality assurance and management are becoming increasingly important.

Under the integration of Ukraine into the European and international economic space, the topical issue is the application of the international system of requirements in practice in order to determine the level of customer service. The problem of improving the quality of services production is currently very urgent [1, p. 48-54].

The previous analysis has proved that competitive relations characterize modern hospitality market. At the same time, the lack of an integrated statewide system of management and regulation of the hospitality network development causes serious violations of consumer rights, shortcomings in the work of the establishments.

Increase of the level of services market openness, and sharpening of the competition among the hospitality industry companies set the task of constant improvement of services quality and their attractiveness to customers. The factor of changing consumption and the consumer, the increase of his experience put forward the issues of quality improvement in the foreground.

Year by year the priorities of the problems change that determines the necessity for their annual review and preparation of annual proposals and measures aimed at the improvement of services quality and reduction of the cost of providing high quality services.

To varying extents, the work on the improvement of various aspects of service quality assurance is gradually reducing the overall costs of the enterprise to service quality. Therefore, analyzing service quality problems, one can choose solutions which accord with numerous quality management functions and cost management features.

Quality means the characteristics and specific features of a service that cause customer satisfaction, or lack of deficiencies, which enhances the customer's state of satisfaction.

Quality of service is an important area of activity. Some marketers believe that quality management is an organization-controlled action aimed at meeting quality standards [2, p. 117-121].

In addition, it should be borne in mind that there is a close connection of the concept of quality and values, where values should be taken as a certain consumer importance of services. In this case, high-quality services are to be appreciated. However, it is important to keep in mind that high-quality services are not always of high quality.

In some cases, quality is associated with the increased comfort, luxury or luxury services. This approach can hardly be considered correct, because it is possible to get quality services at a reasonable price.

It is worth keeping in mind that the quality of the service is not only its content, but also a form of its supply. Therefore, quality is the first and foremost a customer's sense of satisfaction with service, and quality service is a service that meets the guest's needs.

The quality level, in its turn, depends on the degree of coincidence of the client's ideas about the real and desirable service in the hospitality enterprises.

In the basis of any sector, providing services lies the unification of actions aimed at customer service. Therefore, in the hotel business, a process of duplicating the quality of services is required, with the mandatory preservation of the quality level.

Based on this, it is worth noting that the entire hotel industry, from the creation of optimal organizational structure of a separate hotel enterprise to the development of professional standards and job descriptions, is founded on standardization of operational processes and is aimed at solving the problems of quality service.

One of the effective means of managing and controlling the quality of products and services is their certification.

The implementation of the first proposed scheme envisages the creation of such conditions under which it will be not only profitable for the enterprise, but also prestigious to confirm its status in the services market.

At the same time, preparation, conducting and results of certification should be accompanied by active elucidation in various sources: specialized publications, websites, during seminars, conferences, competitions, etc. We consider this scheme as the first stage of gradual implementation into the enterprises of hospitality industry with benchmarking technologies, the main tasks of which are to identify market leader in order to find the best products and services – a model for others.

At the same time, it is necessary to carry out extensive agitation and explanatory work among the restaurateurs, for whom the implementation of this system should be considered as an additional and undoubtedly effective advertising of the establishment, as well as among the consumers, nurturing in them culture of consuming products and using services.

The second scheme of attestation involves the introduction of tight control by the state authorities on compliance with the procedure of confirmation of the selected class, which clearly regulates the procedure, sequence of the necessary procedures during the establishment and

organization of the institution.

Enterprise competitiveness is managed through the formation of a multilevel system that requires the development and implementation of appropriate measures both at the state and at individual enterprises level.

Competition as a complex category makes it possible to put into effect large potential of market incentives for business activity, which are still underused.

An active government policy, the instrument of which is fair competition, helps to achieve the desired reconciliation of the interests of the state and entities of the restaurant industry. The point to be emphasized is that the state only creates right conditions for the occurrence and improvement of the factors of competitive advantage. The benefits are created directly by enterprises.

At the level of the enterprise, the focus on the strategic priorities of the management system should become the main direction for the formation and improvement of the competitiveness management system because the development and realization of promising competitive advantages is ensured here.

The starting point in the development of the program for managing enterprise competitiveness is the setting of goals and objectives determined in accordance with the strategic purposes of the institutions.

The results of the analytical section made it possible to conclude that in the current competitive environment the strategic goal of the institution should be gaining the target audience, strengthening of the strategic position and attaining a high level of competitive advantage in the services market, obtaining a sufficient amount of profit.

For the achievement of the strategic goals, the mission of the institution is being developed, which is perceived in providing a wide range of high quality products and services, provision of high comfort conditions and organization of consumer leisure to fully meet their needs.

Competition strategies are a tool to achieve goals that determine the direction and nature of the further development of the enterprise. In the first stage, a strategic monitoring program is developed to collect competitively important information, a resource base for monitoring is developed: staff, funds, and financial reserves are allocated, etc. [3, p. 178].

The next stage is the development of a system of actions, that is, a portfolio of competitive strategies, focused on the specific market situation in a certain competitive environment, which allow identifying

alternative strategic areas to increase the enterprise competitiveness. Strategic analysis makes it possible to substantiate competitive advantages of an enterprise in the market.

According to the chosen direction of monitoring, research program is developed and the objects of comparison, individual and group indicators are determined.

The objects for comparison are selected by the method of segmentation of multidimensional objects, which are competitors. To implement this method practically, it is advisable to break the companies into groups according to the degree of market orientation – by the type, location, business segments, strategies and actions in competition. During the study and evaluation of the economic activity of competitors, their market key factors (MKF) are determined – factors creating opportunities or threats to the functioning of the enterprise, prerequisites for choosing a strategy to increase its competitiveness.

Clear understanding of the needs and expectations of the end consumer plays an important role in the success of the restaurant business. Accordingly, in managing competitiveness of the enterprise, it is necessary to identify these needs – the key factors for consumer decision-making (KFCDM), which can be determined by the formula:

$$KFCDM = \sum \Phi_i \lambda_i, \quad (4.1)$$

where F_i is the value of the i -th factor forming consumer demand for restaurant products and services on a 10-point scale;

– the value of the i -th factor forming consumer demand for products and services, points;

Note: the value of the i -th factor forming consumer demand for products and services (λ_i) is determined based on the questionnaire.

Accordingly, competitiveness of the facility will be determined based on the comparison of the maximum value of KFCDM and the degree of compliance of the facility with customer requests, which is determined according to the monitoring materials.

An important element of the measurement system is to determine the main own criteria for success of the enterprise activity – the key success factors (KSF), which should reflect progressive development of the enterprise and give a complete objective picture of its condition. In our opinion, various factors may become the main factors for the success of a restaurant establishment [4, p. 234].

We propose to evaluate the level of competitiveness of the enterprise by the method described above, which is based on the predefined criteria of success. The result of the comparative analysis of the indicators of rival companies is to determine the position of the investigated enterprise regarding the competitors, which underlies the further development of the institution's competition strategy portfolio.

As already mentioned, the process of competitiveness management should be systematic in order to help the enterprise to respond in time to changes in the environment, to compare compliance of its key success factors (KSF) with market key factors (MKF), to monitor mood and trends in consumer demand. Accordingly, the enterprise will take a leading position in the market if the following conditions are satisfied:

$$\mathbf{KFCDM} \rightarrow \mathbf{max} \quad (4.2)$$

$$\mathbf{KSF} \geq \mathbf{MKF} \quad (4.3)$$

The availability of operational and reliable information concerning the possibility of reducing competitiveness of the enterprise and factors that determine this decrease, will allow to take measures to manage competitiveness.

Managing institutions' competitiveness in modern conditions is impossible without an effective monitoring program for the competitive environment. Based on scientific research we have developed the technology of organization and implementation of benchmarking in the activity of restaurants, and the model of diagnostics of the enterprise state in a competitive environment.

First, it is necessary to determine the purpose and objectives of the competitive intelligence of an institution, which may relate both to the overall assessment of the competitive position of the studied enterprise in a competitive environment, and to compare the performance of business processes of competing entities. The purpose of the research should be consistent with the strategic goals of the institutions described above.

Second, it is important to identify the resources that will be used in the intelligence process. Benchmarking is not the activity of one person, but of the whole team, which should be strategically embedded into the business plan of the institution.

Third, it is important to identify what knowledge about competitors one needs to get for making decisions; to determine the ways of bringing

knowledge to individuals.

Fourth, to envisage actions for coordinating the intelligence program in the competitive environment of the enterprise and its internal environment.

The main requirement to the organization and implementation of the intelligence program is the comprehensive systematic approach to the achievement of the competitive advantage. The most important component of the benchmarking concept is the evaluation of internal business processes, the search for factors, which can measure the success or failure of the enterprise [5, p. 254].

In our opinion, business processes in the hospitality industry are a set of interconnected processes operating in the enterprise during its main functions: production, sale of products and organization of consumption, as well as the efficiency of the organization and management that provides competitive advantages (stimulation of realization).

The most important internal technologies of doing business include effectiveness of the organization of resource management, production, customer service, commercial, marketing activities, staff and enterprise as a whole, etc.

Depending on the choice of directions in which the benchmarking study is to be conducted, its type is selected (Table 4.1).

Table 4.1

The types of benchmarking those restaurant business establishments can choose

The types of benchmarking	Benchmarking characteristic
Strategic (general) benchmarking	It is aimed at studying the processes of competition existing in the market in different industries
Competitive benchmarking	Provides comparison of own products and business processes with similar positions of direct competitors
Benchmarking of processes or functional	Comparison of the efficiency of organization of certain business processes both with direct competitors and with the enterprises of other industries performing similar labor functions
Internal benchmarking	It is aimed at comparing the performance of different units of one's own enterprise, such as the production unit and purchasing department. In the networks of institutions you can compare the same function, for example, customer service, in different institutions

The next step is to reconsider the received information and develop managerial decisions concerning closing the gap between the institution and the business entity, improvement of business processes adapted to their own key success factors (KSF), key factors of their customer's decision-making (KFCDM).

The necessity to initiate hospitality benchmarking projects, in our opinion, is caused by the need to:

- rethink the existing and form new goals of the enterprise;
- search for the best ways to achieve the defined goals;
- determine the difference between the performance of the enterprise and its strongest competitors;
- provide radical improvements to ensure and increase competitiveness of the enterprise;
- identify the priorities of corporate restructuring;
- reduce time spent on product commercialization compared to competitors;
- predict new strategies of competitors.

Thus, managing the enterprise competitiveness means deliberate influence on the factors and conditions that shape it. In our opinion, competitiveness of the institutions means a complex of managerial steps, directed to research of the factors and conditions of the internal and external environment, which form competitive position of the company in the market, as well as to develop competitive strategies that will ensure the creation and support of long-term competitive advantages.

There are also two main criteria for a modern quality system: it should ensure high level of quality, its compliance with the standards and needs of consumers, and work as a tool for creating specific technologies for rational management of the enterprise.

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**APPLICATION
OF MODERN
METHODS OF
GOODS SALE IN
COMMODITY
LOSS
MANAGEMENT**

The specifics of trading activities, the need to constantly search for modern methods of servicing the population indicate the emergence of internal problems that need prompt regulation, timely warning and prevention. The transition to self-service trade is a powerful catalyst for increasing the problem of commodity losses in trading enterprises. Today, there is an active, purposeful and constant search for opportunities to cause losses to both staff and customers.

With the increase in the share of self-service stores, the expansion of trade enterprises, the growth of staff and the complexity of the organizational structure of retail trade enterprises, the problem of commodity losses occupies the first place in the world.

The peculiarity of commodity losses is that inventory losses are not formed on a one-time basis but are accumulated consecutively during the economic activity during the period between inventory and are revealed through inventory (except for actual losses), namely information is received with a considerable delay and reflects in the information unchangeable past events. An important nuance is that inventory losses cannot be avoided, but can only be minimized.

High social standards, a level of cultural development and social consciousness are not an obstacle to theft and fraud in trade institutions, which are the main cause of commodity losses in Europe. Different types of abuse from both customers and staff compose 69% (\$ 18.17 billion) of total losses. Retail managers also confirm the fact of staff thefts existence. European retailers' losses due to staff abuse amount to \$ 11.3 billion, and compose 33% in the total amount of losses. Administration miscalculations, internal mistakes, non-criminal losses amount to \$ 9.9 billion or 12.4% [1].

In Ukraine in 2018 trade enterprises losses amounted 19.6 billion USD, of which 29% accounts for staff theft; 30% – for losses caused by administrative intentional and accidental errors and omissions; 31% – on goods losses from theft of buyers; 10% – on deception or fraud of suppliers [1].

The question of automation of trade establishments has been reflected in the practical activity of foreign and domestic enterprises, as well as in the works of scientists: S. Belinsky [2] N. Brasilia [3], V. Dergachova [4], S. Ivakhnenkova [5], S. Kucherkova [7], S. Melnichenko [8], V. Muravsky [9]. It worth noting the works of V. Muravsky, which the author's vision of the application of information technologies in the accounting of goods are presented, in particular their bar coding and radio frequency identification. Ivakhnenkov S. and Kucherkova S. examine the current state and tendencies of the development of information computer technologies for e-business in Ukraine. Belinskaya S. studies the problems of accounting process automation for effective enterprise management. In researching the impact of globalization processes on society, Brazil N. places the problem of the interconnection of information technology and accounting on the first place gives practical examples of the use of modern information technologies, which are intended to increase the efficiency of the enterprise and increase its competitiveness in today's dynamic market. Melnichenko S. defines the role and place of information technologies in marketing and management of domestic enterprises.

The purpose of the article is to investigate practical mechanisms for preventing commodity losses of a trading enterprise through creating an economic security system by applying of modern methods of the goods sale activation.

The information base for the research was the works of domestic and foreign scientists, research of world companies, relevant online sources. Structural and systematic approaches, methods of synthesis and analysis,

comparison and generalization, scientific abstraction were used to achieve the staged goal.

Practice and scientific research show that the organization of modern trading activities of enterprises requires the development and creation of an economic security system that takes into account the negatives that can be caused by each party to economic relations, both buyers and staff.

Staff is an asset of a company that should be protected by the trading security system and as the main source of damage against which it should protect itself.

Loss prevention can be done either by the way of eliminating the possibility of damage, or by the way of eliminating the reasons that push for such actions, or by a combination of both these ways. In this regard, employees and buyers will intentionally cause harm when there are reasons for theft and there are opportunities to do this unauthorized, uncontrolled, unpunished and usually unnoticed by others.

Psychological work on creation positive employee motives is the main resource for ensuring the safety of the enterprise. Work with employee motivation should be undertaken by managers and trade security specialists.

In order to improve the effectiveness of the system of preventing losses of the commercial object, it is important that every employee among staff realize himself as the subject of security and actively promoted the administration and security service in this direction. This advantage of the enterprise can be realized only if the sales personnel undergo appropriate training in the field of trade security.

In the domestic market of trading services the number of self-service stores is increasing, the main advantage of which is to ensure the convenience of the purchasing process due to the free access of buyers to the goods and their automated identification at the checkout, which contributes to the increase of cases of fraud, theft by both staff and buyers. All large trading companies use bar code marking of goods. Not so long ago, scientists, researchers and practitioners spoke about the relevance of the introduction of wireless radio frequency marking of goods (RF-tags), which performs the functions of the system of identification of goods and anti-theft system (Fig. 4.1).

Nowadays, barcode technologies and radio frequency identification are acquiring outdated status. Since 2017, the concept of “store of the future” has emerged, which uses the latest and most secret methods and technologies. The peculiarity of such stores is the lack of employees, cash desks and queues.

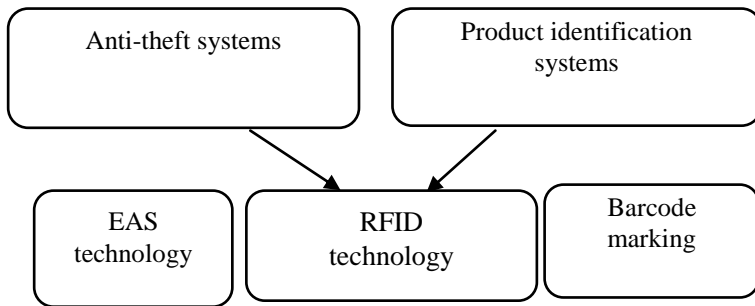


Figure 4.1 Systems of unauthorized removal of goods [6]

About 10 such stores already operate in the world, according to predictions of retail researchers in 10 years such stores will be distributed worldwide [1]. The first attempt to launch an (almost) non-employee store was in 1937 in the US – but it failed. At the Keedooze store, shoppers were given a kind of “key” to select the product behind the glass windows. Then the product got on the conveyor and the visitor received an invoice. Cheapness and innovation have attracted thousands of buyers. But then the technology was not worked out enough to cope with a large number of buyers, conveyor belts were slow and many errors occurred, for example, buyers were receiving the wrong product. The store ceased to exist in 1949.

The second attempt was made by the world-renowned Metro Cash & Carry trading net, which in 2003 put forward the concept of “The Shop of Future”. In the German Rheinberg city, with the partnership of suppliers of hardware and software for retail automation, a commercial establishment was built, the principle of which was based on fully automated customer service using radio frequency identification of goods.

The premises of the trading floor and warehouse must be equipped with wireless scanners that read the RI tag information on the goods. The automated system interconnects all devices: special personal shopping carts; shelves equipped with wireless sensors; electronic price tags; information monitors; cash registers.

Built-in shopping cart scanner allows buyers to independently scan the purchased goods and speed up the process of payment at the checkout. Without removing the goods from the basket, the buyer must indicate the number of his basket and the information about the product

is immediately transmitted to the cash desk, where the buyer only has to pay for the goods. All goods must be marked in the form of electronic price tags, the price of which is generated by an automated system and transmitted by radio signals. The price is immediately transferred to the store shelf and cash desk. Information monitors are used to provide additional information about the basic characteristics of the product and are a complement to traditional printed materials.

The monitors are activated immediately after the buyer removes the desired item from the shelf. Goods shelves equipped with radio signals provide automatic recognition of the movement or removal of goods and notify the central information system. As the goods on the shelves decrease, requests for replenishment of the range from the warehouse are made automatically. The anti-theft system prevents external and internal fraud of personnel and buyers actions, and also controls the naming and quantity of goods that the buyer has taken from the electronic shelf, but has not put in the basket, employees who have access to the goods, by the availability of goods in the warehouses and store shelves. Thus, using an automated system, you can detect unauthorized removal of merchandise outside the store, and it is possible to control which person at which point took the item from the electronic shelf and did not return it, but did not put it in his personal cart.

According to the founders, one of the reasons for the poor performance of the benchmarks of the “Shop of the Future” was the lack of a developed methodology for accounting and analytical reflection of the facts of economic activity related to the automated sale of goods. However, the developed concept of automated self-service has become widespread and is partly used in the activities of modern retail outlets, where buyers can choose and pay for the goods either with the help of support staff (consultant, manager, cashier), or independently – through payment terminals using the identification function goods.

Radio frequency identification technology is being actively implemented in the network of commercial establishments and industrial enterprises in Europe. The significance of indicators of the use of radio frequency identification technology at European enterprises is explained by the significant advantages of the use of radio frequency labels in the accounting and analysis of commodity circulation compared with the identification of goods by bar codes [9].

The third attempt to create a store of the future was in 2016 by Wheelys Moby Store. This is a Swedish startup, whose shop is located near Shanghai. There are no staff at all, and all purchases are made

through the app on a smartphone.

When entering the store you need to scan the QR code with your smartphone. Also the codes are on all goods. Taking the item off the shelf, the buyer scans with the smartphone and money is spent from the bank card. People pay for purchases at this store using AliPay, an application of the Chinese company Alibaba.

In 2018, the store was equipped with additional sensors to make the purchase process easier and safer. Wheelys is partnering with Hefei University to install a new security system. With a large number of sensors, the system can collect customer biometric data and keep track of when they are removing products from shelves. After removing goods – the store deducts money from the buyer's account, if he put the goods back – money is returned. It is not possible to steal because you cannot enter the store without an account. Buyers must register for an account and if one item is removed from the cart, the system will contact the buyer ID to prevent theft. The store is equipped with cameras and sensors connected to the computer vision system. Special algorithms recognize the visitor at the entrance and keep track of everything he or she takes or returns to the shelf. Any product here is under observation and cannot disappear from the vision of the cameras. After leaving the store, the system deletes the customer's biometric information.

A similar system was also launched in 2016 and runs on Amazon Go in Seattle. According to the official website of the American retailer, the store uses technologies similar to those used in unmanned vehicles – computer vision, fusion sensors and deep learning. Before entering the store, you need to install the free Amazon Go app. And get registered. After registration, you can go to the store to buy goods from the shelves and put them in a bag and in your pocket. The idea is to automatically track the activity of visitors in the trading floor, controlling what items they take off the shelves or put back. Each item taken from the shelves will be automatically added to the buyer's account. Payment is made when leaving the store. The purchase amount is automatically deducted from the buyer's account. Exit is made through the same turnstiles without authorization or any action by the buyers. There are also no audio or light signals. And then a check comes on the smartphone.

The system's developers say that within the “Just Walk Out” technology, the store uses “computer vision, deep learning algorithms and a combination of sensory data from different sources”. The main source of information is hundreds of special cameras mounted in the ceiling. They track every zone of the store from different corners.

Basically, these are ordinary RGB cameras, only with Amazon's built-in circuit boards that allow them to perform basic tasks on their own: track motion, find an object, try to differentiate it from neighbors. Nearby there are the modernest cameras capable of measuring depth, recording the flight time of the signal to each point. The resulting images are sent to a "CPU" that Amazon keeps secret. It does the main job: real-time identification of who is who. Which person removed the product from the shelf or put it back. This processor is the main feature of the whole project, without which the developed system cannot work. Even in the human eye it is difficult to understand which of the similar people took what product from a dozen almost identical. The system must detect this lightning-fast, error-free, and in hundreds of locations at a time. Previously, at such a scale and at such speeds, no one even wanted to take on the task of developing such technologies.

The development of this store was carried out for 5 years, it implemented a number of advanced technologies to pay for purchases and prevent theft. Shop without sellers, cashiers and staff (only 1 staff at the entrance, one is watching the assortment on the shelves, 6 are preparing their own meals).

You can also steal goods in a regular supermarket. Amazon, on the contrary, makes it more difficult for a buyer to put a product without the ability to bypass the system. Unless there is a critical vulnerability, Just Walk Out can be advertised as the modernest supermarket anti-theft model.

Another thing is that the technology has bugs and they were noticed on the first day. Tweets from people from whom the store did not withdraw money for a particular product began to appear. Amazon replies that they can regard it as a gift from the supermarket. The percentage is quite low and there is no way to completely eliminate such mistakes in the company, so it does not even try to eliminate it.

Five years ago, when Amazon started its project, there was no technology. Therefore, the developed system will be further improved.

Nowadays, there are 10 such stores in the world (Seattle, San Francisco, Chicago), Scandinavia, Australia, China, and Japan. By 2021, 3000 Amazon stores are going to be launched [1].

Thus, Just Walk Out technology is a multifunctional system that performs the tasks of anti-theft and product identification systems, the introduction of which will contribute to the economic effect of minimizing losses, reducing the complexity of warehousing and accounting and analytical work due to their automation, reduction of

fraud and negligence accidents leading to growth of revenue and operating profit of the merchant net.

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**CORRELATION OF THE
INSTITUTIONAL
ENVIRONMENT OF
UKRAINE WITH
ECONOMIC
DEVELOPMENT AND
EUROPEAN
INTEGRATION
PROCESSES****Introduction**

The most important component of European integration for Ukraine is the real progress in implementing the declared reforms and creating the conditions for shaping the institutional environment according to European standards that will allow us to reach acceptable rates of economic growth and create the necessary conditions for European integration processes. However, despite the reforms that are being carried out, the quality of formal and informal institutions, the problems with the rule of law and corruption have a negative impact on European integration and become increasingly important for European integration processes. European future is increasingly dependent on the nature of the institutional changes that are taking place in Ukraine.

The absence of proper institutional environment explains the main reason why the socio-economic potential embodied in the countries of Central and Eastern Europe (CEE) during European integration has not yet been realized in Ukraine, in particular in the development of small and medium-sized businesses, investment, and financial, budgetary, tax, judicial and administrative sectors. The current situation does not make it possible to solve the fundamental institutional problem: the current state of the Ukrainian economy will not lead to a rapid and full integration of Ukraine into the European Union, as long as it is not capable of effective institutional transformation within the country.

1. Potential challenges of European integration to the institutional environment of Ukraine

First of all, we emphasize that the institutional environment in EU countries starts inclusive (see Acemoglu and Robinson (2012, p. 81)) (in the sense of equal, competitive opportunity) markets, which not only give opportunities to have the potential of free choice, but also those that are best suited to generating business ideas and starting own businesses, and the choice of production mode which, above all, is aimed at technological improvements, along with getting profit, and, hence, productivity gains. The institutional environment also initiates access to two other factors for the economic development of EU countries: opportunities for innovative technologies implementation and fight against corruption. At the same time, sustained economic growth is almost always accompanied by higher standards – standards of behavior – in economic activity. This process is possible due to the institutions that securely protect property rights, ensure independent justice, strictly control compliance with contracts, create equal playing field for business and encourage creation of new businesses.

It should also be noted that the problems of institutional environment analysis are quite recognized in economic science. In particular, these issues were highlighted in the works of such distinguished scholars as: Nort (1997), Steele (1999), de Soto (2004), Baltserovich (2012), Henisz (2002), Polterovych (1999), Meyer (2001), Acemoglu and Robinson (2012). These scientists emphasize that it will not be possible to achieve stable economic growth in the institutional environment of the countries that lack a clear specification of property rights, where there is an excessive bureaucratic administration of business activity, lack of an economic and legal system that prevents discrimination and opportunism on part of state controlling bodies and minimizes the opportunistic transaction costs of economic agents. It is also emphasized that one of the most important arguments for economic development is the institutional factors that directly and substantially influence the “rules of the market game”, determine the nature of interactions between economic agents and motivate their behavior in the use of resources and assets. At the same time, institutional factors such as trust, cooperation, the historical foundation of the state-legal evolution of the country deserve special attention in the study of the institutional environment. The latter is a fundamental factor of the possibility to limit authorities in their pursuit of opportunistic and rent-oriented behavior and ultimately creates conditions for economic development.

However, despite a considerable number of scientific publications on the interrelation of institutional factors and economic development, the issue of complex analysis of transformational factors of the institutional environment in the process of the country's European integration intentions is still relevant and needs further research. It should be emphasized that the basis for solving these problems is the ability to explain the successful or unsuccessful economic development of the country, taking into account such factors as institutions and peculiarities of state policy in terms of their impact on the institutional environment. Therefore, the primary step for understanding the economic behavior of firms and households and the socio-economic prospects of the country is to analyze the role and effectiveness of institutions in course of transformation of one coordination mechanism into another (see Meyer (2001, p. 359)), which occurs within the period of European integration process.

In the developed countries of the EU, it is the institutional environment that allows outlining and fixating the optimal economic resource and technological potential and channeling it into the most effective investment projects. In its turn, the institutional environment consists of fundamental political, social and legal rules that form the basis for the production, exchange, distribution and consumption of limited goods. The institutional environment also reduces the level of uncertainty in the daily interaction of economic agents (see Nort (1997, p. 5-6)). But in Ukraine, at the initial stage of the transition to a market economy, and then the stage of European integration, we objectively had a vacuum of both formal and informal institutions, which set the key principles of functioning of the economy. At first glance, under conditions of import of necessary institutions, with accounting for national peculiarities, stable economic growth and potential opportunities for the European integration process can be ensured.

It is necessary to agree that after getting its independence in 1991, Ukraine has implemented significant institutional and market reforms. However, their results confirm the fact that the current state of the institutional environment is unsatisfactory, as evidenced by GDP dynamics and other key indicators of economic development. We emphasize that institution building is a key factor in the reforms undertaken by the governments of the post-socialist CEE countries. Although each country pursued its own path of economic development based on historical features and resource potential, it was the transformation of the institutional environment that played a crucial role

in the economic development of post-socialist states. However, the assessment of the quality of the institutional environment has a significant problem because, unlike the economic indicators, which are expressed in monetary terms and can be quantified, institutions do not have a single measure unit. Various indices can be quality indicators that allow comparison of both countries in general and certain components of the institutional environment.

At the same time, it can be argued that economic efficiency and competitive advantage can be achieved through innovation that promotes the emergence of innovative products and technologies. An indicator that captures innovation at the national level is the ranking of countries by the number of patents, trademarks and copyrights issued – a comparative analysis of statistics on intellectual property activity of countries and territories. It is the statistics of intellectual property components that is the main indicator of innovation potential and one of the key indicators of economic development of countries and regions. It should be noted that Ukraine is ranked 22nd in the global registration rating for this indicator (Table 4.2, (see WIPO (2017, p. 8))).

Table 4.2

Overall (Resident and Foreign) Rating of Intellectual Property Filing Activity, 2017

Position	Country	Patents	Trademarks	Copyright
1	China	1	1	1
2	USA	2	2	4
3	Germany	5	4	2
4	Japan	3	3	6
5	Republic of Korea	4	11	3
20	Poland	26	25	16
22	Ukraine	32	23	15
31	Czech Republic	43	34	26
39	Romania	43	43	40
45	Bulgaria	58	45	37
65	Lithuania	73	67	64
71	Latvia	80	70	76

The above data indicate that Ukraine is allegedly a country with an efficient economy and developed national innovation system. This is confirmed by the fact that in the Global Innovation Index 2019, which is generally considered to be the most comprehensive assessment of

innovation development in different countries of the world, Ukraine ranks 47th out of 129 countries (in 2018 – 43). This made it possible to reach the level of Slovakia (37), Lithuania (38), Poland (39), Bulgaria (40) and advance Georgia (48) and Romania (50) (see Dutta, Lanvin, Wunsch-Vincent (2019)). At the same time, Ukraine has been at the forefront of the number of patented products and utility models in terms of GDP for several years in a row. According to experts, this is primarily due to the low cost of such patents: for the time being, one should pay only 160-320 UAH to “Ukrpatent” (see CMU (2004)). In addition, for researchers, publishing a patent application is tantamount to having scientific publications in international journals, which affects the evaluation of their work performance and the level of wages. According to the same rating, Ukraine has a relatively high efficiency of innovation activity. At the same time, the overall results of innovation can be reflected not only in the context of patent numbers, patent activity, but also by product implementation efficiency, the number of scientific publications, etc. In addition, significant growth rates show revenue from the introduction of innovative products. Thus, based on the above mentioned, the fact that in 2019, according to the parameter of Innovative resources (Innovation Input, that innovation activity “has at the beginning of execution”), Ukraine took 82nd place, and in terms of the Innovative results (Innovation Output dimension, that the innovation activity “gets in the end”) – 36 (see Dutta, Lanvin, Wunsch-Vincent (2019, p. 36)).

However, there are questions about the fact that in another ranking – Global Competitiveness (Global Competitiveness Index) in 2018, our country ranked only 83 out of 140. It is the Global Competitiveness Index that measures countries’ readiness for the next industrial revolution and defines national competitiveness as the ability of a country and its institutions to deliver stable economic growth, which in turn is sustainable in the medium term and with high national competitiveness. This usually provides a higher level of household well-being in the countries studied. It is intended that the index should be used by countries seeking to eliminate obstacles to economic development and competitiveness (see Schwab (2019)).

Instead, one of the main barriers to Ukraine’s sustainable economic growth in terms of innovative development and competitiveness is the chronic underfunding of the scientific field. At the same time, it should be noted that scientific activity, as the foundation of innovative development and a key factor of technological progress and high value-

added economies – must be supported by the state: the law stipulates that at least 1.17% of GDP should be allocated to the scientific sphere annually. But if in 1991 total research and development expenditure was 2.4% of GDP (which corresponded to the level of the most innovative economies in the world), then in 1992 it was decreased to 1.5% of GDP, in 2007 – to 0.9% of GDP, and up to 0.6% of GDP in 2015. In 2017 in Ukraine, the share of spending on research was only 0.47% of GDP, which is only one sixth of the level stipulated by the legislation of Ukraine. The real funding for science, according to reputable experts, is much smaller. By contrast, in the European Union, the share of SRD spending reached 2.06% of GDP. Among the EU – 28 countries, the highest share of spending on research relative to GDP: Sweden – 3.40%, Austria – 3.16%, Denmark – 3.05%, Germany – 3.02%; in the post-socialist CEE countries, the following indicators are recorded: Romania – 0.50%, Latvia – 0.51%, Bulgaria – 0.86, Lithuania – 0.89%, Poland – 1.03%, the Czech Republic – 1.79% (see Malycjkyj and Popowych (2016)).

At the same time, we emphasize that the Global Innovation Index is a complex indicator that comprises 80 separate indicators – including those which have been researched above in the field of Research & Developments, namely higher education, R&D costs, patent registration and number of researchers, accessibility the latest technologies, the quality of research institutions, the collaboration of universities and business in research and development, the availability of scientific and engineering personnel. We emphasize that for the real economy, these indicators outline both potential opportunities and at the same time identify systemic problems that hinder economic development. At the same time, special attention is paid to the fact that the first groups of factors of the Index under study are institutions, which include: political stability and security, government efficiency, quality of institutions, regulatory framework, rule of law, dismissal costs, wages, ease of opening and doing business. In terms of quality of institutes, Ukraine ranked only 96th out of 126 countries of the world. At the same time, if the simplicity of starting business allowed Ukraine to take 48th place and the cost of dismissal and weekly salaries – 42nd, then such indicators as: political stability (125th place), government efficiency (95), rule of law (107), quality of regulatory institutions (94), ease of resolving insolvency (115) – affected the overall result at extremely negative degree (see Dutta, Lanvin, Wunsch-Vincent (2019, p. 337)).

Unfortunately, the realities of Ukraine have confirmed the fact that,

under the absence of institutional environment that is generally accepted in EU countries, economy is transformed into a poly-institutional structure which only superficially resembles some aspects of a developed socio-market economy and does not meet the fundamental institutional requirements of developed countries (see Steele (1999, p. 47)). Under these circumstances, opportunistic behavior in making and fulfilling contracts is a consequence of failures in the institutional environment and the effect of blocking that result from the previous trajectory of the country's development. After all, we still have the limitations today, which have been inherited from the past along with rules, norms, and traditions; they hinder further effective socio-economic development and include ideas about functioning in new transformational conditions. At the same time, certain number of economic agents, first and foremost a "bureaucracy from the past", strive to keep the old rules at all costs. Hence, dependence on the previous trajectory of development is defined as "cultural heritage received in dowry" (see Nort (2014)).

Under such circumstances, which are based on the requirements of European integration, the state authorities need to take measures that are directed, especially, against the same governmental institutions, as those oriented to rent. Admittedly, Ukraine has an inefficient and rent-oriented bureaucratic governance structure that relies on institutional traditions of corrupt interests and redistribution of budgetary resources in the light of its own vested interests. It is the monopolization of power that allows the bureaucracy to receive informal benefits as a consequence of the nomenclature privileges that take the form of shadow income. Hence, when redistributive relations begin to prevail over productive ones (by the way, as does speculative capital over the real sector of the economy), there is a lack of incentives for firms to effectively produce on a legal way.

The indicator that vividly demonstrates the above conclusion is the fact that according to the Corruption Perception Index 2018, Ukraine ranked 120th out of 180 countries (see Transparency International (2019)). Liberia, Malawi and Mali share this 27-point place with Ukraine. Naturally, this position is obviously not enough for the country that has declared its commitment to EU priorities. To some extent, the creation of anti-corruption institutions has helped to improve the ranking in the world, but the lack of an effective judicial system and the actual impunity of corrupt officials prevent Ukraine from solving key corruption problems of the kleptocratic economy.

Naturally, corruption significantly affects the economic potential of the country and is the most essential deformation of the institutional environment in Ukraine. Corruption is defined as a destructive factor of the country's formal institutes and universally recognized morals and a system of socio-economic relations, characterized by the use of official powers to obtain material and (or) intangible benefits (see Geveling (2001, p. 10)). It is clear that, for the most part, in the EU countries, bureaucratic services are provided not for the purposes of enrichment of the official, but for the purpose of enabling economic agents to carry out economic activities as efficiently as possible.

The final configuration of corruption is the "buying up of the state" (see Kaufmann et al (2000, p. 4)), under which state power is privatized by ruling political and economic groups, power-coercive powers and administrative resources are directed to the seizure of natural resources, major flows of funds, public and private property and estates of the most profitable economic assets (both in the public and private sectors), as well as the most influential means of disseminating information. Unfortunately, political and economic corruption in Ukraine has become systemic. It is the corruption factor that becomes the basis of the functioning of economic agents displaces competition, promotes the formation of monopolies subordinated to ruling groups in the political, economic, information and other spheres of society. Added to this is the inability of long-term business planning and erosion of ownership of assets. The latter determines such institutional features as: "opacity" and the complexity of the ownership structure, excessive transaction costs associated with the redistribution of assets. All of this ultimately impedes the optimal allocation of resources and a steady investment process.

These lead to the fact that the status of asset legality becomes blurred and this leads to excessive risks and transaction costs of entrepreneurs in business. To the problems with the specification of property rights, we also add the absence of uniform and unchanging rules of business conduct for all, without any exception, participants in economic relations, raider attacks on business by corrupt officials and law enforcement agencies, corrupt procedures for obtaining permits and licenses, existing "kickback" schemes during the allocation of budget funds, corrupt control of business.

We emphasize that most economic agents leave the legal sector not because the illegal one allows evading taxation, but because the existing formal and informal institutions do not meet the motives and needs of

people (see de Soto (2004, p. 156)). That is, we have a text-based institutional situation where economic behavior in the principal-agent relationship is regulated by force-based norms as opposed to agreed ones. This position of the principal (government) causes agents (firms and households) to evade the institutional rules prescribed by law.

In this situation, where government regulation leads to negative externalities, illegal norms that regulate the shadow order reduce the transaction costs of firms and households. Thus, the shadow economy duplicates the functions of the state when illegal norms are opposed to legal ones, which ultimately destroys official institutions and maximizes the income of supporters of opportunistic behavior.

At the same time, it should be noted that not only economic but also political system influences formal and informal economic activity. The results of the reform of the institutional environment in the CEE countries during European integration process are also explained by political circumstances. This is due to the fact that institutional reforms largely reflect the balance of political forces and together with a factor of trust in politicians make it possible to achieve their support in society up to another political shock, such as elections or referendum, after which a new institutional equilibrium is reached. At the same time, the size of the shadow economy is directly dependent on the extent to which the interests of firms and households are properly represented in political institutions, whether they receive sufficient amount of public goods, which allows them to identify with the state and hence increases the willingness to make the necessary contribution to the state budget. In the opposite situation, in the country where we have poor quality institutions and widespread corruption, citizens have low levels of trust in the government and therefore little incentive to function in the legal sector of the economy. Clearly labeled and protected property rights, independent justice, an effective legal environment enhances firms' willingness to step out of shadow economy. We emphasize that the shadow economy and corruption are institutional factors – *substitutes* for economic behavior in high-income countries and *complementary* ones – in low-income countries (see Torgler and Schneider (2007, p. 5)). In the latter, to which we also refer Ukraine, corruption becomes systemic. There is a lack of transparency and accountability in the process of adoption and implementation of the state budget; the institutional norm for unconditional payment of taxes cannot be considered acceptable by the majority of the population and increases the incentives to exit the formal sector.

In general, it is necessary to distinguish the following factors that ensure functioning of shadow economy: economic, social, and legal. Economic factors are represented by high taxes, instability of the financial system, excessive size of the public sector in the economy, when special business structures are created with the purpose of misappropriation of budget resources. Social factors are revealed in low standard of living, contributing to the development of hidden economic activities, high levels of unemployment and the orientation of a large part of the population to get income in any way, uneven and unfair distribution for households of gross domestic product. To legal factors can be referred the following: imperfection of legislation, lack of efficiency of functioning of law enforcement structures, imperfection of the mechanism of coordination of fight against economic crime.

To this we add that high transaction costs of legal business are one of the main institutional reasons for the operation of the illegal sector. After all, the members of the shadow sector do not pay taxes and do not comply with the established laws and regulations, which give them unjustified competitive advantages over those who work legally (see de Soto (2004)). Transaction costs in this case include costs that are, in particular, related to the organization of legal business activities, namely:

- *Market entry*. Even when business registration is no longer a major barrier to entrepreneurs and the current aspirations of the Ukrainian government to introduce a single window regime, serious bureaucratic obstacles still exist when a license or access to resources is required.

- *Bureaucratic extortion*. We emphasize that informal relations between businessmen and officials are not limited to corruption and primitive bribery. Moreover, bribery is the initial form of opportunistic relationships that over time is transformed into an exchange of services. Such relationships are no longer defined by money when we have informal “contractual relations” of long-term cooperation.

- *Deliberate failure to fulfill business obligations*. Some entrepreneurs are even forced to anticipate in advance the potential transaction costs of this kind of opportunistic behavior, which include the costs of collecting counterparty reliability information and potential penalties for contract violators.

- *The need to create infrastructure that accompanies specific transactions*. Such transactions in the Ukrainian economy that fall under the category of opportunistic behavior include the following: tax evasion, value added tax reimbursement, formal and informal customs

clearance of goods, audit and legal support for doubtful transactions.

Particular attention is paid to the fact that the worse the initial qualities of institutions, the more resources are diverted to improve them and therefore the longer the transition process and the greater the costs of disorganization of the economic system. First of all, in this statement we identify the increase in the scale of redistribution of transition rent observed in Ukraine with the beginning of transformation processes, and hence the increase in costs in the process of struggle for its capture.

According to Polterovich (1999), any institutional change distorts the system of restrictions when new or old ones emerge, and hence new privileged positions are created, which allow to receive rent – “excess profit” for those who have taken the above positions. It is the rent related to the process of institutional transformation that is called transitional. It arises from a temporary imbalance caused by institutional disturbance: the emergence of arbitration opportunities, inconsistencies in legislation, and the like. If we have large amounts of transition rent, then there are positive signals for businesses to invest significant resources not in the real economy, but in order to allocate rent, which initiates the formation of “institutional traps”, by which we mean an inefficient institution.

It should be borne in mind that under any conditions of institutional trap, the renters will win, and the producers in the real economy will lose. Due to the lack of an effective socio-economic policy – first and foremost, it concerns the state’s clear and fair taxation policy for businesses and households – the motives for those working in the manufacturing sector to refocus on redistributive activity are intensified. As a result, it leads to economic degradation and significant losses for society as a whole.

At the same time, as the analysis of the proposed problem shows, the absolute level of taxation is not a determining factor for the growth of shadow economy consisting of illegal, hidden and informal economy, and hidden rental income determines a key type of shadow economy. Expert studies have shown that the most important for entities’ decision to go to shadows are: administrative and bureaucratic barriers that arise when entering into and doing business, excessive state fees, “blurred” legislation, complex financial and tax accounting, duration and complexity of business registration procedures and their reporting (see Arkhipov, Cherkavskaya, Druzenk (2014, p. 46)). Hence, the main focus of the state’s influence on the minimization of the shadow sector should be the transformation in the institutional environment of economic

activity.

We emphasize that according to the IMF's report "The shadow economy worldwide: what have we learned in the last 20 years?" (see Medina and Schneider (2018)) (Table 4.3) the size of shadow economy in Ukraine is substantially higher than in the EU countries. Under such circumstances, there is a merger of the official and shadow sectors, that is, when economic activities are no longer specified as official or shadow, and it is practically impossible to distinguish the shadow component from the official one. In its turn, the shadow economy stabilizes the official one, and the latter hides the shadow economy because it cannot develop in conditions of scarce resources. Therefore, with total shadowing, it no longer matters how many goods and services the official and shadow sectors produce and the economy as a whole ceases to respond to conventional fiscal and monetary policy methods. Under these circumstances, fundamental and organizational factors that influence the institutional environment transformation process and resource and technological capabilities, along with macroeconomic factors, fall into the institutional traps of tax evasion, corruption and the realization of pessimistic expectations. This situation ultimately leads to the need to study the logic and principles of functioning of the illegal institutions, and hence the corresponding proposals that will allow to form a legitimate system of official economic order. First of all, it concerns the estimation of the size of shadow economy.

Within the IMF study, there was proposed a technique that allows avoiding approximation and inaccuracy. It is the MIMIC (Multiple Indicators Multiple Causes) model, which takes into account factors that directly affect the size of shadow economy: public sector share, GDP growth per capita as a whole, unemployment rate and number of employees, rule of law, structure of money supply, openness of trade, and tax freedom. At the same time, there is another study on the size of shadow economy, offered by a German economist Enste (2018). He also emphasized that it is difficult to quantify shadow economy, and different methods (currently 12 of these are known) can produce disparate results. Along with the negative factors of illegal economy, the scientist also identifies the positive ones, in particular: resources that are not used in the formal economy can be used in the shadows to increase the overall supply of goods and services; governments are trying to encourage firms to get out of shadow economy by improving public institutions. Besides that, stimulating more active participation of the population in government decision-making, expanding the elements of direct

democracy and eliminating corruption can also reduce the size of the illegal economy.

Table 4.3

Shadow economies in some post-socialist countries averaged over the period 1991 to 2015 (as percentage of GDP) by the MIMIC method (see Medina and Schneider (2018, pp. 69-75)) and over the period 2003 to 2018 (as percentage of GDP) based on macroeconomic data (see Enste (2018))

Country	1991–2015 y.	2015 y.	2003–2018 y.
Lithuania	25,15	18,65	30,5
Latvia	22,23	16,62	28,0
Poland	25,1	16,67	26,6
Czech Republic	14,83	10,47	17,5
Romania	30,14	22,94	31,5
Bulgaria	29,17	20,83	34,2
Ukraine	44,8	42,9	32*

Source: 2018, based on data of the Ministry of Economic Development and Trade

As for Ukraine, based on the criterion of “expenditures of population – retail turnover”, the share of shadow economy is equal to almost half of GDP and amounted to 49% in 2018. Therefore, as a whole, some experts consider the government’s policy to determine the level of shadow economy as incorrect.

Thus, given the scale of corruption and shadow economy, it can be concluded that real effectiveness of reforms to create an institutional environment is determined not by the presence of certain institutions and adoption of relevant laws, but concrete results that demonstrate real institutional change. In this respect, it is necessary to identify those “acceleration institutions”, that is, those components of the institutional environment of the country that form the concentration of systemic forces of effective development and are the key to Ukraine’s European integration aspirations. According to Baltserovich (2012, p. 62) the most important of all institutional factors for socio-economic development are the following:

- the structure of property rights that depends on whether the legislation of the country permits private business, as well as the scope of regulatory and tax restrictions on economic freedom;
- the level of protection of property rights, that is, whether the state power protects the property right, or, conversely, interferes with its

specifications;

- the level of competition between manufacturers, which depends on the structure and level of protection of property rights and the extent of protectionism;
- fiscal position of the state in economy, which is determined by budget expenditures and, ultimately, by taxation, as well as fiscal deficit to GDP.

In the above context, the findings of American scholars A. Carroll and A. Bukhholtz also relate to the link between the institutional environment and the social one, given its four segments that either inhibit or accelerate changes in the institutional environment.

1. Social. Emphasizes on demographic processes, life habits and traditions, social values of society.

2. Economic. It focuses on the features and trends in which economic entities operate. The quantitative characteristics of this segment include GDP, inflation, discount rate, unemployment rate, national currency and more.

3. Political. Determines how lawmaking, political and electoral processes, and all aspects of interaction between entrepreneurs, political elite, and the government are organized. The final factor in this context is recognized as regulatory and fiscal policies on business, the procedure for obtaining licenses and permits.

4. Technological. Represents a general set of those processes that take place within scientific and technological progress, the latest technologies. This segment includes new goods and services, processes, materials, the scientific level as a whole, changes in theoretical and applied aspects of science (see Carroll and Buchholtz (2000, p. 5)).

Given these segments, it is clear why in the poorest countries in the world the institutional environment defines a system of rewards for political or economic actions that do not encourage productive activity. Although Ukraine has declared reforms of the institutional environment in line with generally accepted EU standards, at the same time, institutional transformations have led to the emergence of organizations or groups that are interested only in rising their own income, and therefore seek to create an institutional environment for the sake of realizing only their own vested interests to counteract the European integration aspirations of Ukrainian citizens.

2. Research on key indicators of the institutional environment in Ukraine in the context of economic development

The aforementioned Eurointegration institutional ideology is relevant to explain the negative factors of the process of reforming the institutional environment in Ukraine and the unsatisfactory results of its functioning. Under such circumstances, considerable profits for a narrow stratum of the few turn into poverty for the majority of the population of the country, when D. Rawls's formulation of the principles of justice regarding institutions is not realized. Therefore, institutional changes do not necessarily lead to economic growth; rather, they are made for the benefit of those who can bargain for new "market game" rules that will lead to enrichment. This is explained by the fact that political and economic leaders have a diverse set of means of further socio-economic development, but for the most part, these opportunities are more likely to encourage redistribution activities than the production of material goods and form more monopolies than the competitive environment (see Nort (1997, p. 25)).

This conclusion is confirmed by the fact that Ukraine ranked only 71st in the Doing Business 2019 annual ranking of the World Bank, which determines the level of ease of doing business in 190 countries (see International Bank for Reconstruction and Development (2018, p. 5)) (Table 4.4). This designates one of the lowest positions among the neighboring countries and states of the former USSR. Worse positions with this indicator are only in Uzbekistan and Tajikistan; but Georgia (6th in the overall ranking), Lithuania (14th), Estonia (16th), Latvia (19th), Azerbaijan (25th) and Kazakhstan (28th) are in the first thirty of the overall rating of the post-Soviet countries.

Table 4.4

Some countries in Central and Eastern Europe ranked in the World Bank's Doing Business 2019

Position	Country	Number of points	Change in quantity of points
14	Lithuania	80,83	+0,29
19	Latvia	79,59	+0,33
33	Poland	76,95	-0,07
35	Czech Republic	76,10	+0,05
52	Romania	72,30	-0,53
59	Bulgaria	71,24	+0,11
71	Ukraine	68,25	+0,94

At the same time, the rating researchers note that Ukraine has improved its positions in the following areas: protection of rights of minority shareholders, simplification of getting building permits, facilitation of international trade (auto parts are removed from the list of dual-use items), contract disputes were also facilitated, and improvements were recorded on property registration. Other criteria: business registration, tax payment system, access to electricity and credit – showed a worsening situation (see Table 4.5).

Table 4.5

**Ukraine in the annual ranking of the World Bank’s Doing Business
2015-2019**

No.	Rating	2015	2016	2017	2018	2019 (forecast)
1	Final rating	96	83	80	76	71
2	Registration of enterprises	76	30	20	52	56
3	Property registration	59	61	63	64	63
4	Access to credit	17	19	20	29	32
5	Investor protection	109	88	70	81	72
6	Taxation	108	107	84	43	54
7	International Trade	154	109	115	119	78
8	Ensuring the execution of contracts	43	98	81	82	57
9	Insolvency resolution	142	141	150	149	145
10	Obtaining building permits	70	140	140	35	30
11	Access to electricity	185	137	130	128	135

At the same time, we emphasize that the changes that business expects in the institutional environment can significantly affect Ukraine’s position in the future Doing Business rating. This applies to the prospects of introducing formal institutions such as the laws on limited liability companies and bankruptcy, the creation of a single window at customs. Also, entrepreneurs are counting on the replacement

of income tax with capital withdrawal tax and the introduction of a single tax account. At the same time, it is necessary to create a clear procedure for connection to the power grids, abolish the share contribution in the area of construction, remove the price regulation for the services of notaries, and simplify the mechanism of resolving commercial disputes. It should also be noted that the key problems for business remain as follows: protection against the interference of security institutions (prosecutor's office, police, security), with which the situation has not been changed for a long time; the need for implementation of the real rule of law in the institutional environment; protection of property rights and inability to resolve commercial disputes in a forceful way.

At the same time, the institutional feature of Ukraine is its significant differences in terms of regional factors. These include, in particular, attitudes towards relations with Russia and public authorities, a focus on political and economic reform, support for local autonomy or centralization, and finally integration with the EU. The source of regional differences (especially between East and West) is historical experience, economic structure, ethnic composition, communication with border states and language. Polls conducted among Ukrainians prior to the onset of the armed conflict with the Russian Federation showed that integration with the EU was supported by 90% of the population in the west, 70% in its center and only 29% in the south and 20% in the east (see Lewandowska and Inglot-Brzek (2015, p. 23)).

This fact indicates that the political factors that influence the possibility of change in the institutional environment are extremely important. The main one is the ability of the country to provide political stability for investors. Therefore, a government that seeks to attract investment in vital sectors of economy should pay particular attention to political institutions and, where appropriate, design mechanisms for compensation of institutional deficiencies (see Henisz (2002, p. 385)). At the same time, investors not only demand the appropriate institutional environment, but also have to trust any explicit or implicit promises made by the government that are indicative of a fair rate of return on investment.

This is the way how the institutional environment forms the medium within which households, firms and government interact to create wealth in the country. It has a decisive influence on competitiveness and economic growth, defines how society distributes goods, what costs for the functioning of the political sphere, investment decisions and

organization of production it has. We also emphasize those factors of the attitude of the state to the markets and freedoms, which impose significant economic costs on business and slow down the process of economic development, these are in particular: excessive bureaucratic control, excessive regulation of entrepreneurship, corruption, lack of trust in politicians, political dependence of the judicial system.

This is confirmed by the annual reports of the World Economic Forum on the global competitiveness of countries that provide an assessment of the economic environment of countries around the world and their ability to achieve sustainable economic growth. They assess what is defined as the twelve pillars of competitiveness: institutions, infrastructure, macroeconomic stability, health and primary education, higher education and training, commodity market efficiency, labor market efficiency, financial markets development, market sizes, advanced business environment, innovation (see Schwab (2018)). At the same time, the Report highlights the following institutions: property rights, intellectual property rights, theft of public funds, wrongful payments and bribes, public trust in politicians, independence of justice, favoritism in government decisions, unproductiveness of government spending, the burden of government regulation, efficiency of the legal environment, transparency of public policy, costs of terrorism for business, business expenses through crime and violence, organized crime, the reliability of police services, corporate ethics, the ethical behavior of firms, the reliability of auditing and reporting standards, efficiency of work of corporate boards of directors, protection of interests of minority shareholders, reliability of investors protection. Among the most problematic factors affecting the Ukrainian economy, the experts noted the institutional ones (Table 4.6) (see Transparency International (2019); Schwab (2018), International Monetary Fund (2019)).

Analysis of the correlation between indicators – GDP per capita and final rating of institutions – Ukraine and six EU member-states that formerly belonged to the socialist block (Lithuania, Latvia, Poland, Czech Republic, Romania, Bulgaria) leads to the conclusion that there is a rather strong relationship between the analyzed indicators ($R^2 = 0,772$; $R = 0,879$). The regression equation indicates that a one-point weakening of the country's institutional rating results in GDP per capita reduction of US \$ 240 (Fig. 4.2).

Table 4.6

Indices of certain institutes, perceptions of corruption and GDP per capita in some Central and Eastern European countries

Institutes	Ukraine	Lithuania	Latvia	Poland	Czech Republic	Romania	Bulgaria
The final rating of institutes	110	41	49	53	43	46	70
Ownership	129	62	66	98	49	43	118
Government regulation	67	106	81	111	116	108	72
Justice independence	117	55	75	114	43	54	95
Efficiency of legal environment	107	93	99	123	96	104	83
Budget transparency	49	27	77	49	77	49	67
Perception of corruption index	109	35	37	33	38	52	61
GDP per capita (2018), ths. \$	2,96	18,86	17,63	14,47	23,09	12,19	9,08

Empirical evidence suggests that GDP per capita dynamics may be related to the quality of the institutional environment and vary greatly depending on the performance of the institutions. A number of studies, including the one proposed, confirm a statistically significant relationship between the quality of the institutional environment and the economic development of the CEE countries and Ukraine. At the same time, no strong evidence has been found that the poor quality of the institutional environment leads to clear differences in GDP per capita.

At the same time, it can be argued that the institutional environment, measured by quality indicators of property rights, the rule of law, corruption, bureaucratic procedures and other institutional variables, is a key precondition for sustainable economic development. Stable and effective institutions reduce uncertainty, reduce macroeconomic

volatility, diminish transaction costs, and thus contribute to investment and innovation (see Jankauskas and Seputiene (2009, p. 144)). At the same time, for many EU countries, the rule of law is a fundamental driver of economic growth, and for poor countries, including Ukraine it is the counteraction to corruption that determines, first and foremost, the successes or failures of the institutional reform.

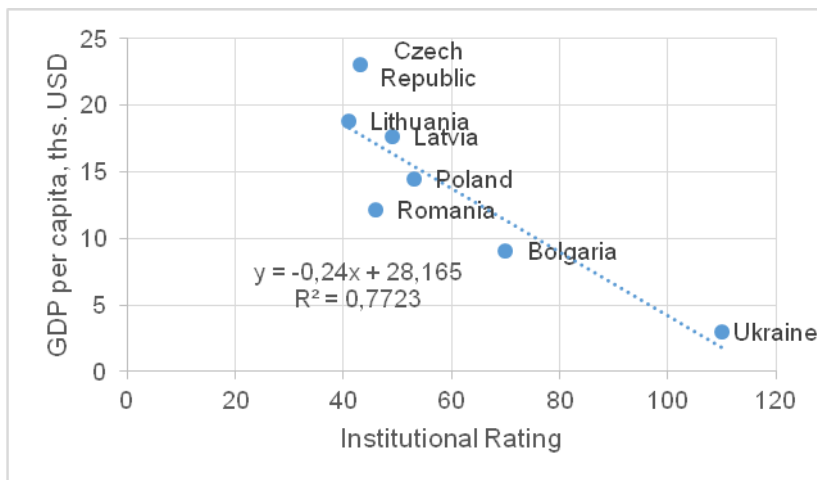


Figure 4.2 Graphic representation of the correlation-regression relationship of some CEE countries between the final rating of institutes and GDP per capita

Source: calculated and compiled by the authors

Conclusions

Thus, for the successful economic growth of Ukraine and its prospects for European integration, the transformation of the institutional environment must take place in accordance with European standards. In its turn, the quality of the institutional environment is determined by the performance of key institutions. Although the impact of institutions on economic performance is indirect, since they do not directly produce goods or services, at the same time, the volume and productivity of resources depend on the quality of the country's institutional environment. The importance of the institutional environment for economic development is also related to its main functions: reducing uncertainty by limiting possible behaviors of firms

and households, decreasing transaction costs and creating a stable environment for economic agents to interact.

However, we have reasonable doubts as to whether Ukraine has the necessary institutional environment to stimulate innovation, secure sustainable economic growth and competitiveness, which will ultimately provide the foundation for the country's European integration aspirations. We also focus on how effectively the institutional environment in Ukraine supports successful entrepreneurship and guarantees the inviolability of property rights, which has a significant impact on economic development. It must be acknowledged that, despite the reforms that have been taking place since 1992, political and economic institutions in Ukraine still remain bad, aimed at rent-seeking, and corrupt, behavioral norms of which are determined by the values of the former Soviet Union. Unfortunately, the poor quality of formal and informal institutions in the segments such as the rule of law, property rights and the perception of corruption are the main negative components of the institutional environment, fixate the characteristic features of the functioning of the Ukrainian economy and counteract European integration. We emphasize that the prospects of European integration are the most important factor for the implementation of the institutional reforms in Ukraine, and the reforms should ensure the creation of the institutional environment that is oriented to the requirements of the EU.

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**APPROACH TO
ECONOMIC STABILITY
IN AGRICULTURAL
PRODUCTION**

Development of market relations in Ukraine is accompanied by dynamic enterprise development, establishment of new enterprises, which activities are aimed at achieving certain results. However, their distinctive feature is the low economic stability. Therefore, the study of economic processes at the business level as a basic unit of the national economy is crucial. It is at this level of management all possibilities possessed by every entrepreneur towards achieving and maintaining sustainable and efficient economic development shall be identified. And above all, business solution of these problems affects economic stability at all other levels of production management.

A modern approach to understanding economic stability has no integrated system solution and is quite unilateral, because it is limited by financial categories. Stability involves the ability of a system to keep it in the given criteria. To achieve steady state, an enterprise, which is an open social and economic system, must have the ability to reflect the negative impact of external and internal environmental factors that are aimed at changing the business stability as a system. From this point of view, A.M. Gataulin's definition, that characterizes stability as a system condition or stability of its elements connection in the process of transformation, may be considered as classic [4, p. 24].

Other scientists determine the business stability as their ability to resist various negative both natural and economic influences. It means not only to overcome the adverse effects and adapt to them, but use them with the greatest effect on enterprises. Some economists refer to the business stability such business features that enable them under different conditions to produce a given quantity of each product of required quality at the lowest cost, regardless their deviation from optimal performance. In other words, the enterprises' stability is their ability to withstand a negative internal and external influences and ability to adapt to changing conditions. This definition takes into account

the need to form a set of conditions sufficient to reduce the negative effects of potential instability of intra and inter-branch connections.

Proceeding from the above, it is possible to summarize the information. Any targeted system should accomplish stated objectives during its operation. From the business perspective, economic stability can be viewed as the ability of a system to maintain its efficient condition for achieving planned results under various conditions. These conditions may cause temporary deviations of the coordinate system within predetermined tolerances, but when the influence is interrupted the persistent system should return to its original position. Moreover, the stability of an enterprise should be ensured in any conditions and situations, occurring both within the system and in the environment.

The economic literature covers and dynamic stability of enterprises. The static stability is rather calm and passive the dynamic one has sustainable development. In terms of statics, the business should be considered in a frozen state in the elemental equilibrium, i.e., in the absence of development. Dynamic approach involves the business research in the process of changing its system elements and their correlation. Therefore, in dynamics, the business economic stability actually means its sustainable economic development. In our opinion, the traditional form of stability as an economic category is the business equilibrium, which persists despite the destabilizing effect of internal and external factors. "The concept of equilibrium and the associated stability concept play an important heuristic role in the study of fast-growing systems as one of the conventional points of reference. The issue involves just that based on these concepts you cannot give a complete explanation of the processes in the relevant systems." [3]

The economic literature distinguishes between internal, external and "inherited" stability. *The internal business stability* is determined by the overall financial condition, performance potential, subsistence and monetary structure of production, such their dynamics when high economic results of the business operation are provided. In other words, it is a condition of material and cost structure of production and sales, and such its dynamics, which ensure stable high results of the business operation. The basis of achieving the internal stability relies on the principle of active response to changing internal and external factors.

The external business stability determines the stability of the economic environment within which the business activities are carried out. It is achieved through an appropriate system of economic governance throughout the entire country.

The inherited business stability determines the presence of a margin of safety that protects business from destabilizing adverse production conditions and unexpected changes in external factors.

The overall business stability involves its ability to manage internal factors and adapt to external factors of operation, thus optimal conditions of effective management are maintained.

In our opinion, identifying the full range of real threats and challenges inherent in the management process should be considered one of the main objectives to ensure business economic stability. After all, nowadays in Ukraine, economic destabilization conditions cause the fact that most businesses cannot ensure their economic stability at the proper level, and some of them are on the verge of bankruptcy. The list of threats to business economic stability provides an overview of business goals and objectives in respect of ensuring due to providing timely and effective managerial process. Features of many crises in the businesses are the follows: businesses are not involved into the system of mortgage obligations on their own property; non-exercising of marketing policy or its false performance; lack of strict planning or insufficient flexibility and elasticity in implementing the plans; high probability of managers' mistakes when making important decisions; lack of response to the sudden appearance of strong market competition; instability of internal interpersonal and intergroup relations in the company; poor organizational and technological arrangement of production; uncertainty about the business mission and methods to achieve it; incorrect or ill thought-out innovation policy; incomplete records of internal variables in the company; lack of sufficient focus on strategic planning, ignorance or underestimation of performance budgeting, and hence conduct of prevention policies, which is unable to predict or at least mitigate potential crises; lack of required reserves for crisis-free business operation [3, p.11 -12].

Aforementioned reasons cannot cover all possible cases of crisis. It should be noted that an important factor of economic stability is its flexibility, flexibility of the whole management system, which refers to the ability of the system to adapt to external conditions, changing on a constant basis. Flexible management of economic stability is achieved by applying appropriate management algorithms, as well as various technical and organizational measures, as the course of economic processes in time is dynamic and in highly competitive circumstances requires the business to promptly adapt to the changing internal and external environment. In these circumstances, the winner is the business,

which adapts to the realities of time and new unfamiliar environment sooner than the others.

We understand the term of business economic stability as a set of interrelated and interconnected industry components (financial, production, human resources, marketing, investment and management) that under any conditions provide a margin of safety for the business activities and a balanced process of their functioning. The balance is achieved by ensuring optimum quantitative correlations between the elements of the overall system, giving it the opportunity to develop in harmony. Therefore, business economic stability provides such state of the business, when the most efficient and expedient work of all its elements is provided. Accordingly, we need to understand the business economic stability management as a management process, namely, as a system of methods, tools and principles that provides such state of the system components, their development and distribution, which enables the business to develop on the basis of income and capital growth while maintaining the competitiveness of the manufacturing process. The basic purpose of this management is to ensure business economic stability in accordance with the sustainable operation and development of businesses in the current and future periods. Ensuring business economic stability provides their economic independence, which is manifested primarily in committing the effective control over its own resources and the fullest possible use of competitive advantages of the businesses.

Thus, based on the diversity of problems to be solved within the framework of strengthening and maintaining business economic stability, it can be defined, applying a complex system of subsystems, highlighting its structural components: internal, external and “inherited”. Each of them is a complex system, having its own parametric estimation. Indeed, any impulse from the external environment can dramatically change the stability of one system but have no effect on the other. Let us consider each of the components of business economic stability in detail [2, 9]. The components of the internal subsystem of business economic stability should, in our view, include: financial, production, personnel, information, organizational, marketing and management components.

The concept of *financial stability* of the business is multifaceted. It is characterized by financial independence, ability to switch the own funds, financial means sufficient for operation, production process condition. The essence of financial stability is determined by effective formation, distribution and use of financial resources in the management

process. Financial stability is a criterion of the partner's reliability. Its assessment is the basis for the external actors to determine the long-term financial capacity.

The production component of the business reflects not only the marginal production volumes of either product at the fullest use of material resources and manpower [1, p. 25]. Furthermore, it is the ability of the business to analyze the situation in the environment, and the ability to promptly assess the situation on the commodity markets and production factor markets. Finally, it is the ability of the business to adapt to the changing external environment due to constant tracking the changes in needs and demand for goods and services, implementation of competitive ideas that best meet these needs and demand, as well as by adapting the productive facilities to effective implementation of the business functions.

Providing personnel component of the business involves evaluation of the professional level of managers, professionals and workers, personnel motivation, managers' business activities, personnel level of conflict, managers' leadership style [6, p. 274]. "HR decides everything" is a slogan, which is well-known in history over thousands of years and popular at all levels. Therefore, the actual process of managing the personnel stability comprises, involving intellectual potential, managers and specialists of the relevant qualification and skills and their proper use.

The information component of the business is an interactive structure that connects people, equipment and procedures for collection, analysis, evaluation and distribution of adequate, timely and accurate information between the people, who adopt managerial decisions to improve effective planning, implementation and control within economic stability [7, p.161].

Formation of the *organizational structure component* of management is essential to determine the status of the business, and the line of its economic, legal, administrative and managerial activities. In time of ensuring organizational structure component management of the businesses where block approach is used, according to which the organizational structure of any business is represented in the form of separate, but related, aggregated blocks. Due to the stability of these blocks functioning, the whole system operates more stable as a whole. Thus, the stability of the organizational structure is an ability of the business to form its own organizational structure in order to achieve its goals, the implementation of which ensures the economic stability of the

business.

The marketing component of the business is to provide an optimal balance between the supply and demand of products of the defining type and range, achieving most expedient speed in goods (services) promotion on the way from the manufacturer to the final consumer [6, p. 190-193]. So, stability of the marketing activities is to manage the production or implement other business activities with clearly defined purpose. It is a focus on a particular buyer and simultaneous development of production, forming the demand, solving the problems related to the production of goods, organization of research work to create new types of products, pricing of manufactured goods, coordination of planning and financing, as well as regulation of all activities of the business, including transportation, packaging, maintenance and marketing operations.

The management component is expressed through constituent components: management ideas, creativity, leadership and vital power. Thus, Japanese manager O. Morimas believes that development of management depends with a large extent on the creative approach to the process. In particular, a combination of ideas, policies and strategies of management with creativity creates a management method, which leads to the special nature of the business development. He notes that management is a “stem” of the business, which is the basis of survival in a “storm” that prevails in the outside world. [8].

The components of the external and internal subsystem must, in our view, also include: investment, communication, social and psychological, innovation, environmental, technical and technological components of business economic stability. The process of effective management of updating the products and services of the business, as well as their production and all operations in the market environment in order to maximize profits is the innovation management process of business. In evaluating the *innovative component* of the business, the strategy of its technological development and production investment programme from different sources are considered. Innovative resistance management must regulate the process of innovation activities of the business in order to achieve effective performance in accordance with its goals and objectives.

The investment component, first of all, means stability of investment, total cost, and long-term investment funds determined by a set of economic and psychological indicators that assess the possibility of the investor to maximize profits with minimal investment risk. The

investment component of the business is determined by material and financial terms of the expansion and modernization of production, establishment of productive and social infrastructure, stock and reserves, HR training and retraining, development and scientific services. This determines the pace of economic stability of the business and the level of its competitiveness in the modern business environment.

The social and psychological component can be defined as the ability of the business to create such conditions of work and life in the enterprise, providing a rational organization of work, personnel health protection and strengthening, satisfaction with work and its results, and professional development.

The communication component of the business provides the ability of the business to form rational connections with the environment. It is about regulating relations with suppliers, public authorities, as well as consumer of the business services. All variety of communication relations should be viewed through the prism of the business operation stability since communication relations can characterize either full support of the production process participants, or availability of contradictions between them. The results of these relations one way or another can affect the level of economic stability.

The technical and technological component of the business involves developing the scientific, technical and production capacity that ensures the business competitiveness through its own intellectual and technological resources. It is associated with steady work of equipment and technical systems that make up the material and technical facilities of the business that provides its operation in safe mode with a given range of a lifetime.

Currently, the society faces edge issues of reasonable, rational use of natural resources. Solving environmental issues, focused on *the environmental component* is to eliminate environmental conflict situations, create effective systems of control today and in the future. In this regard, the role of environmental and restoration functions increases. Thus, the environmental performance of goods and manufacturing processes determines the level of harmful effects on the environment and human health, and hence on the environmental stability of the business.

The components of the external subsystem of business economic stability should, in our view, include a market component and external relations. *The market component of the business* focuses on consumers, distributors, stakeholders, competitors and macro-marketing

environment that supports optimal balance of these four subjects through cross-functional coordination. The most significant requirement for economic stability of the business under present conditions is availability of freedom and choice of the business. Study of global trends suggests that economic stability is based on the formation of a special sector of the economy, based on the close relations of science and industry, cooperation and symbiosis that often merge in various specific systems and structures, creating an innovative environment. It is this environment, in our view, which defines *external relations*. Basic forms and mechanisms of such integration and economic cooperation are well-known. They include co-production, subcontracting, contractual specialization, co-operative delivery, leasing, franchising, innovative business venture, cooperation in research and experimental development. Steadiness of such cooperation would benefit all businesses involved in the process.

The components of the inherited subsystem of business economic stability should, in our view, include brand and corporate reputation. Brand stability must be understood as customer loyalty or commitment. In other words, a brand image creates in the buyer's mind of a stable expectance of quality, cost and so on. Strong brand shows higher stability, when increasing a price, than its competitors. So a trademark can be considered stable (strong), if a consumer is willing to pay a premium price for it.

Any business carries out a lot of activities required to develop, manufacture, market research, product delivery and after-sales service. Accordingly, the activities can be divided into two main types: basic and auxiliary. Value chain in a particular business is based on the principle of importance of various activities and taking into account their potential during the process of differentiation. So the basic activities of the business may include procurement, manufacturing, warehousing and distribution, sales and marketing, etc. With regard to ancillary activities, there may be sources of differentiation such as human resources, research and development, infrastructure. In this context, we would like to draw your attention to the infrastructure as one of the factors that affects economic stability of the business. It is the kind of activity, which includes *corporate reputation* and sensitivity to customer needs, the purpose of which is to maximize the share of the purchasing power of consumers, in case of their commitment and confidence in a particular business. Actions are aimed at improving the business image in the society, supporting its positive recognition and reputation of the managers, providing corporate

reputation, stability of which depends on participation in exhibitions, publications, interviews, able to cause wide publicity, participation in seminars, distributing souvenir products, sponsorship, et. Corporate reputation adds to the reliability of the business in its effective collaboration with the partners, as well as with the customers, which generally contributes to economic stability of the business.

Thus, the most significant feature of economic stability of an enterprise is its ability to operate and develop in a changing internal and external environment. Therefore, it is more essential to separate the factors, which affect economic stability, into internal, external and inherited. Only integrated set of actions of all these factors ensures the integrity and unity of the aggregate and individual economic reproduction. Stability of agricultural business depends on current economic conditions and how it can adapt to them.

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Chapter 5

PRACTICAL ASPECTS FOR IMPLEMENTING STRATEGIES OF SUSTAINABLE SOCIO-ECONOMIC DEVELOPMENT AT THE LEVEL OF SECTORAL ECONOMIC STRUCTURES

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**FUNCTIONING
PRINCIPLES OF ELECTRIC
POWER ENTERPRISES IN
THE CONDITIONS OF
SUSTAINABLE SOCIO-
ECONOMIC
DEVELOPMENT**

Processes of key concepts fundamental transformation have been observed during the last decade, which have determined the intensity and nature of economic entities economic development at different levels under the influence of integration and internationalization processes of economic relations. At the same time, the technologicalisation of key sectors of the economy has led to a change in basic approaches to economic activity by business entities, regardless of specialization or market type, which was further accompanied by the transition to a new stage of socio-cultural development.

Especially such changes have affected enterprises and large corporations of the world leading countries, affecting every organizational aspect of managing an organization, starting with changes in technology, ending with control over the environmental performance of the activities and social responsibility of the company.

Electricity companies are no exception, because changes in key technological processes of large-scale production, current environmental trends and the development of green energy form new challenges related to the need for quality optimization of major production processes and implementation of effective strategic planning that takes into account

dynamic changes in the environment enterprises, thereby actualizing the issue of research into the specific work of such enterprises in terms of their inherent characteristics and key factors, that determine the effectiveness of their activities.

Electricity and energy companies generally belong to the category of strategic infrastructure enterprises, providing the basic needs of the primary nature of both powerful industrial enterprises, the transport network and ordinary households. At the same time, the level of such enterprises development, their functionality and price opportunities form the ability or potential constraints on economic growth, thus, acting as one of the key elements of resource supply system for all without exception economic entities. Moreover, electricity companies are an integral part of the domestic fuel and energy complex, which combines enterprises and organizations of different ownership forms, which ensure the extraction, enrichment and processing of energy resources into mobile forms of energy, ensure the subsequent distribution and consumption of energy by all economic entities, which, in turn, borders on the issues of ensuring national economic security and undoubtedly emphasizes the importance of problems of activity of energy enterprises.

In the field of electricity, Ukraine has a developed energy complex for the production and supply of electricity, which is part of the unified energy system of Ukraine. The energy system has considerable capacity, which is used to provide for its own needs and export of excess electricity, as well as connected to the energy systems of the countries of Central and Southern Europe [6, p. 29; 13, p. 47; 1, p. 147; 16, p. 70].

However, unfortunately, the current state of electricity companies is characterized by the presence of complex systemic development problems, which requires both the use of a number of stimulus measures of macroeconomic nature by regulators, and the change of management approaches in each specific enterprise of the industry.

This situation necessitates a thorough analysis of the characteristics of electricity companies in the current conditions to identify the economic nature of these entities as a basis for building the basic principles and requirements for managing such enterprises.

Considering the peculiarities of the power industry, it is appropriate to classify overall energy companies as follows:

- by branch of activity: enterprises of industrial energy, transport energy, municipal energy, etc.;
- by functional feature: energy generating companies, energy supply companies, companies servicing energy systems, etc.;

– by the level of competitive interactions and the degree of regulation: enterprises operating in a regulated market and enterprises operating in a free competitive environment.

The development of energy management tools in a competitive environment is based on the multidimensionality of the management process, which includes:

– a combination of two competitive situations: monopoly and competition;

– a combination of industry-level governance and regional-level governance;

– diversity of activities of market participants in the formation and distribution of energy resources (production, transportation, distribution, marketing, consumption) [14, p. 215; 2, p. 146].

Then offer highlight key features that differentiate businesses of electricity, among other sectors. It should be noted that their qualitative difference is due, first of all, to the high level of high-intensity electricity production and the provision of further processes of its distribution and consumption, which requires knowledge of the technological specifics of the organization of these processes.

Production features. The production sphere is objectively attributed only to the process of electricity production by the generating companies. Transmission, distribution and consumption of energy are related to the sphere of circulation, however, in terms of technical functionalities; these processes of electricity are considered as production and continue the process of production of electricity in the sphere of circulation. It cannot be established electrical power production without them [7, p. 253].

The energy enterprise is an intermediary between power generation plants and consumers. The generated electricity is purchased by the energy supply company in the wholesale market and it is sold to the end user: for industrial enterprises and household consumers [15, p. 69].

The main production feature of power companies is the permanent nature of production, which requires an adequate level of production processes automation and their management in order to ensure the continuity of all technological cycle stages. This feature explains the low need of these enterprises for staffing, the determination of which is usually based not on the amount of energy released, but based on the technologically determined capacity of the equipment, that is, in this case, remuneration in its cost estimate, acquires not a variable, but a constant character.

Continuing the opinion on the structure and nature of the electricity companies costs, it is worth noting the high level of resource intensity, in particular regarding the needs of enterprises for fuel, the costs of which form the lion's share of the cost of electricity. It should be noted that the organization of uninterrupted and timely supply of fuel is an important direction to ensure the economic security of enterprises in the industry.

The safety component of the production organization at the enterprises of the electric power industry is also manifested in the adherence to the special modes of operation of equipment, the technical complexity of which necessitates the need for regular repair works, which, in addition to high cost, also require proper planning of the work schedule of the enterprise in the given period. In addition, the production of electricity is inherently man-made in the event of emergencies, which is directly related to the use of particularly toxic substances in the production process and the general course of hazardous stages of the production cycle

Technical and technological restrictions. The basic technological limitation of the power generating companies is the impossibility of significant accumulation and concentration of energy, taking into account the requirements for its transportation, which is caused by the necessity of a timely coincidence of the process of production and consumption of this product. Thus, the determinant of the intensity of work of electric power companies is actually the consumer, because in the case of uneven consumer demand at different points in time, the company must be provided with the necessary level of power in the network.

Therefore, the enterprise should actively communicate with consumers of products in addition to solving internal organizational problems (to adjust pricing policy) and interact with relevant government authorities to optimize the modes of electricity consumption and harmonize the issues of enterprise development in accordance with current and future needs of the economy.

Equally significant are the restrictions on transportation associated with the lack of options in the choice of modes of transportation of electricity other than the time component. That is, the company either maintains its own network, or contractually uses the electrical networks of other organizations.

In addition, there is an objective loss of electricity, which inevitably occurs during the physical distribution (transmission) of electricity from the producer through the backbone electricity networks to the points of connection of local (local) networks, through which it goes to

consumers [9, p. 73].

Let us pay attention to the originally monopolistic features of the organizational and managerial functionality at the electric power complex, such as:

- coincidence of time parameters, ie continuity and simultaneity of energy production and consumption;
- nominal lack of storage capacities and the possibility of accumulation, although at the moment there are technological and technological developments capable of storing energy;
- clear dependence of generation volume and energy production indicators on the consumption regime;
- the problem of economical energy consumption as a structural condition for the functioning of the industry, form the criteria of effective activity in general and energy companies in the conditions of free competition market [12, p. 34].

Concerning transparency in the energy sector, there is an insufficient accounting of energy flows, limited reporting and means of influence, poor implementation of the rule in law and pricing rules, inconsistency of state regulatory policy, subsidies and insufficient incentives to invest in energy efficiency [10, p. 54].

Environmental component. The effective functioning of an enterprise of any industry and its interaction with the external environment in modern conditions is determined by the compliance of key principles of its work with the principles of sustainable development, in particular, environmental and social responsibility of business, which is of particular importance when considering power companies. Indeed, the already mentioned high production capacity has a negative impact on its environmental friendliness, which is manifested in the extreme scale of thermal pollution, which, in turn, leads to the need for careful planning for the placement of such enterprises and incur additional costs for the construction of special purpose hydraulic structures.

It should also be noted that measures aimed at greening electricity production are extremely costly, requiring a large amount of investment.

At the same time, it should be stressed that energy companies can undertake a somewhat different focus, namely resource change, since both organic fuel substitutes and renewable energy sources can be used as primary energy sources.

The most complete understanding of the peculiarities of the operation of electric power enterprises requires consideration of the complex influence of a set of factors on the activity of a particular

enterprise. It is traditional to divide into such factors of influence [5, p. 134]:

- exogenous (environmental factors that include legal, social, political, economic and other components);
- endogenous (related to the internal environment of the enterprise).

At the same time, the former in today's conditions have a decisive influence on the ability to realize the potential of the enterprise. Specifying the issues of key factors influencing identification the functioning of electricity companies and the energy industry as a whole, we consider it appropriate to use a systematic approach to the differentiation of factors, namely, in accordance with the nature of the impact [8, p. 33; 13, p. 254; 4, p. 135].

In this area, we propose to identify such groups of influence as: regulatory, economic, technical, economic, socio-economic and environmental. Let's consider them in more detail in relation to the enterprises of the electric power industry.

Regulatory factors:

- lack of a comprehensive state strategy for the development of the energy industry, effective mechanisms for interaction and coordination of electricity companies and state bodies in accordance with state development priorities and economic growth goals;
- the existence of international contractual obligations regarding the implementation of European energy legislation within the framework of the European integration process;
- low efficiency of mechanisms of control of national and municipal levels on the use of energy resources.

Market factors:

- low level of investment potential of domestic electricity companies and the industry as a whole;
- dependence on price fluctuations in international commodity markets, which are significantly influenced by geopolitical factors;
- politicization of the energy market pricing process within the national economic system;
- low level of energy market infrastructure development, lack of an effective mechanism for its functioning;
- extremely low level of competitive activity of the energy market caused by high monopolization of the industry.

Technical and economic factors:

- extremely high rates of depreciation electricity companies (generating equipment, electrical networks, etc.);

- backwardness of domestic energy infrastructure compared to foreign energy systems;
- the inability to cover the actual amount of financing for the renovation and reconstruction of the energy infrastructure for the actual needs of these measures;
- promotion of alternative energy and activation of research in the field of renewable energy;
- the emergence of technical capabilities for the use of small-scale energy by households and the possibility of using them with a “green tariff”.

Socio-economic factors:

- lack of a national culture of energy consumption that is manifested in excessive, careless use of electricity by households;
- the lack of state educational activities in promoting energy conservation practices active population;
- a gradual decline in the quality of domestic training, which in the future threatens the shortage of qualified specialists in the energy market;
- lack of proper level of payment discipline among the population, which is related primarily to the government's destructive policy of disproportionate increase in tariff load compared to the dynamics of population income growth;
- positive dynamics of growth in the level of energy consumption by households due to the constant growth of energy consuming appliances and their energy intensity.

Environmental factors:

- destructive impact of electricity production on the environment (thermal and noise pollution, impact on the seismicity of the territory, emissions of toxic compounds into the atmosphere, etc.);
- gradual updating of the problem of limited resources (depletion of traditional sources of primary energy resources);
- the risks of reforming the regulatory framework towards the strengthening of regulatory restrictions on environmental pollution;
- a high level of technogenicity of threats related to emergencies at power generating companies.

The environmental factors described above suggest that the current state of electricity companies is characterized by a significant degree of vulnerability to dynamic environmental processes and systemic problems of an internal organizational nature. This situation requires active action by both state authorities aimed at forming a coherent concept of energy market and industry development, as well as radical changes

within the enterprises themselves in order to comply with international environmental standards and optimize the price component.

As a result of the study, it can be argued that electricity as a separate type of economic activity has a number of fundamental features that are specific to the industry. The key differences concern, above all, production processes (continuous nature of production, high resource intensity, low labor intensity), technological and technological constraints (direct relationship of energy demand and mode of production, specificity of the process of transportation) and directly environmental component (destructive effect on destructive effects on, noise and other types of pollution, high level of technogenicity).

As a result of the study, it can be argued that electricity as a separate type of economic activity has a number of fundamental features characteristic exclusively for the industry. Also features activities electricity undertakings are largely determined by factors influence different direction, which proposed to allocate regulatory, market, technical, economic, socio-economic and environmental.

Effectiveness of individual companies and the electricity sector as a whole depends on the one hand, the possibility of establishing an effective partnership between government and leading representatives of the industry, on the other hand, the specific action of certain management personnel in the electricity undertakings optimize the efficiency of the flow of key business processes.

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**SOME PECULIARITIES
OF THE PROSPECTS
OF THE
ALTERNATIVE
ENERGETICS IN
UKRAINE**

The issue of energy and environmental security has become one of the most important for Ukraine in the recent years, especially in the context of national security. The energy sector is the basis for sustainable development of the economy of Ukraine, as it ensures and supplies the proper functioning of all the other sectors as well as meets social demand in energy and energy resources. At the same time, the energy sector is one of the largest environmental pollutants along with mining and metallurgical complex and chemical industry.

Topical issues in the energy sector of Ukraine are balance of trade of energy resources and electricity, increase of own production and generation, adaptation of industry and consumer market for energy consumption optimization in the conditions of permanent increase of prices of energy resources. It is also of the highest importance to reduce monopolization and create virtually competitive, transparent energy markets in strict line with EU standards through deep regulatory reforms. In the context of innovative development of the world economy, the leading direction is the attraction of investments and innovative technologies to the enterprises of the energy sector of Ukraine. The dangers of the energy sector are structural imperfection of legislation, unclear and unstable rent rules, corruption risks and bureaucracy.

Considering that the energy sector is of crucial importance for the economy of Ukraine, the processes of identifying basic problems among the totality and finding promising ways to solve them is a key task for

today. Particular emphasis should be placed on exploring the issues of improving functioning of the enterprises of the energy sector and creating the prerequisites for stimulating modernization processes by intensifying investing activities in the industry.

In view of the foregoing, energy security is a specific state of the energy sector of a country that guarantees complete and timely satisfaction of the demand of energy resources and energy of every consumer, taking into account economic efficiency, technical and environmental security.

In order to identify the target range of problems of the energy sector, it is necessary to consider the peculiarities and main tendencies of development of oil and gas complex along with electricity industry in Ukraine.

The availability of sufficient oil and gas deposits in Ukraine creates the preconditions for ensuring energy independence in the near term. According to OPEC, Ukrainian oil reserves amount to approximately 53 million tones and natural gas to over 950 billion m³ [1]. According to the State Balance Sheet of Minerals, Ukraine has 402 hydrocarbon deposits and only 269 of them are being exploited. According to preliminary data, the explored reserves at the current production rate will be enough to satisfy the demand for 20-25 years.

The main problem is that most of the explored deposits are almost exhausted (85% of oil and 77% of gas deposits [1]), so continuing exploitation in such territories are economically and environmentally inappropriate. Therefore, in order to maintain and increase the level of hydrocarbon production, the state must create favorable investment conditions for the entities of the sector. This, in turn, will contribute not so much to the revival of economic and financial processes in the industry, but forcing geological, exploration and industrial work.

Concerning the electricity industry of Ukraine, it should be said that during the period of 2014-2019 it has experienced one of the greatest crises since the independence. The following factors have dramatically affected the situation:

- destruction of the systematic energy infrastructure and the fuel base of domestic electricity – coal mining [2];
- high dependence on imports of Russian energy resources (nuclear fuel for the needs of nuclear power plants, coal, natural gas) [3];
- insufficient readiness to the processes of diversification and modernization of sources and types of energy resources;

– unpreparedness of the industry and consumer market to the prices increasing of energy supply which has caused a decrease in the activity of the national economy and a rise of socio-political tensions.

However, despite all the problems that Ukraine has been experiencing in recent years, domestic energy sector is developing at a moderate pace and is preparing for a full-fledged entry into the European market. Undoubtedly, the main task is the energy independence of our country, as well as ensuring the efficient usage of all the available energy resources, so that Ukraine can secure its market and be able to export energy resources and energy to the international market.

Analyzing the state of the energy sector of Ukraine, we can say that the development of its elements is utterly uneven. The natural gas market continues to develop dynamically and is highly competitive. The state creates preconditions for its further liberalization and integration into the European market space, but the implementation of this process is extremely slow. Within the framework of the energy security, trends in reduction of overall consumption and the gradual increase in natural gas production are highly positive. Potential problems for the Ukrainian economy may be gradual decline in gas transit to Europe after the completion of construction of Nord Stream 2, TurkStream and EastMed pipeline. On the other hand, openness of the Ukrainian gas market to European suppliers and further reforms create prerequisites for structural transforming of Ukraine into a reliable platform for gas exchange trading. Today, there are real grounds for establishing an Eastern European Gas Hub in Ukraine.

The market for oil and petroleum products requires reforms that are more comprehensive. Permanent reductions of crude oil production, industry monopolization, high import dependency are the main problems of the oil sector in recent years. Stagnation processes in oil refining testify to the necessity of updating the production and technical base of the refinery, which will allow reducing the cost of production and improving the quality of oil products.

Further development of the oil and gas sector is a priority of the state within the framework of the energy security. The main activities of the government should be fiscal policy improving, amending the Land and Tax Codes, monetary regulation and simplifying administrative procedures. The issues of internal regulation of the fuel market and reduction of its shadow part are essential.

The new electricity market was launched on the 01 July 2019 and its

mechanism is far away its full efficiency. Nevertheless, it is a great step for the industry towards transparency and effective competition.

Systemic and complex changes in the sectors of gas and oil and electricity will help to move the whole energy sector in the right direction and have a positive impact on the entire Ukrainian economy.

Ukraine is characterized by constant decline of oil and gas condensate production and processing, which indicates the oil sector systemic crisis. The opportunities to increase the production are limited, as major deposits are depleting and development of potential ones require significant investment. Thus, according to the Ministry of Energy of Ukraine, 2.1 million tons of oil and gas condensate were produced in 2017, which is 8% less than in 2016 (2.3 million tons). In general, over the past 10 years, there is a tendency of oil production reduction by 45% or 2.2 million tons (Fig. 5.1).

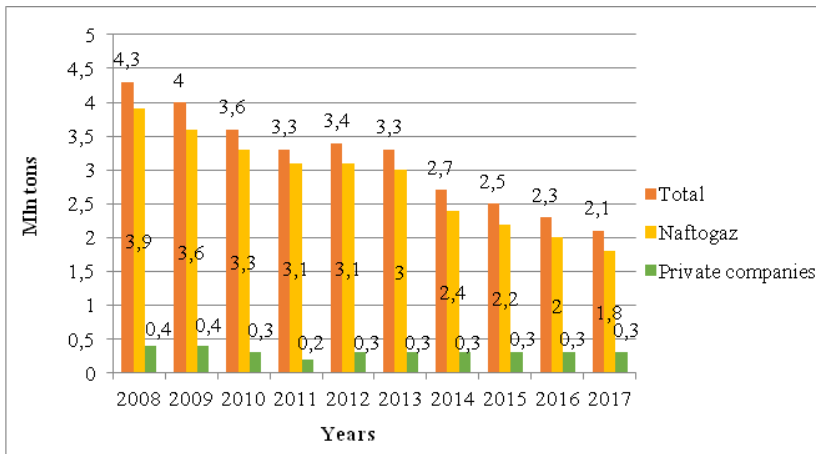


Figure 5.1 Dynamics of oil and gas condensate production

Almost 90% of all oil production comes from Naftogaz NJSC. The main reason for the reduction of the production rate in 2017 was Ukrnafta production decrease (by 9%) due to the late issuance of the license for hydrocarbons production.

Over the last years, the volume of natural gas consumption in Ukraine has been steadily declining: thus in the 1990s this ratio was 80 billion cubic meters, in the early 2000's – 70-75 billion cubic meters and in 2017 comparing to 2010 it decreased from 58 to 32 billion cubic

meters (65% of demand was met by local gas production). The dynamics and the general structure of natural gas consumption during recent years can be seen in Figure 5.2.

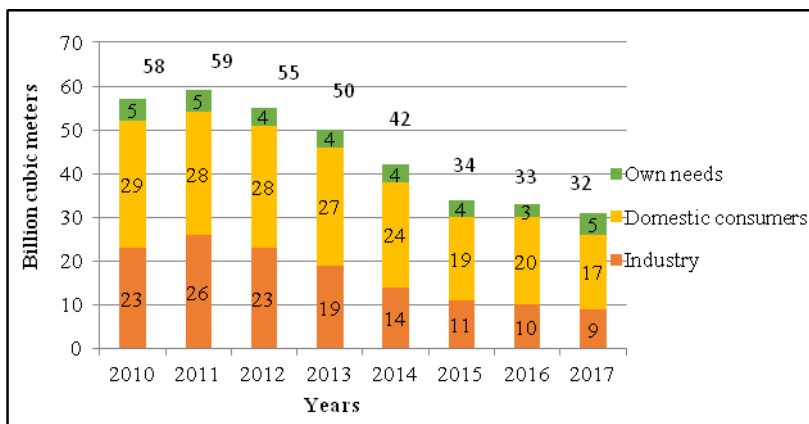


Figure 5.2 Dynamics and structure of natural gas consumption in Ukraine

Among the possible reasons for the reductions in natural gas consumption are: declining of economic activity and reduction of industrial production; increasing of domestic market tariffs; losing of the part of the territory as a result of hostilities; improving of energy efficiency of several enterprises; substitution of natural gas.

First, natural gas consumption reduction should be based on structural and technological transformations of the economy. The state should stimulate the development of high-tech production rather than the energy-intensive industries. Generally, the consumption occurs in two segments: regulated and unregulated. Deliveries in the regulated segment are performed at set prices within the framework of obligations fulfillment, while pricing in the unregulated segment is determined by the market.

Despite the rapid natural gas consumption decline, Ukraine is unable to fully meet domestic demand at the expense of its own resources. Thus, in 2017, natural gas imports were amounted as 14.1 billion cubic meters which is 22% more than in 2016 (Fig. 5.3).

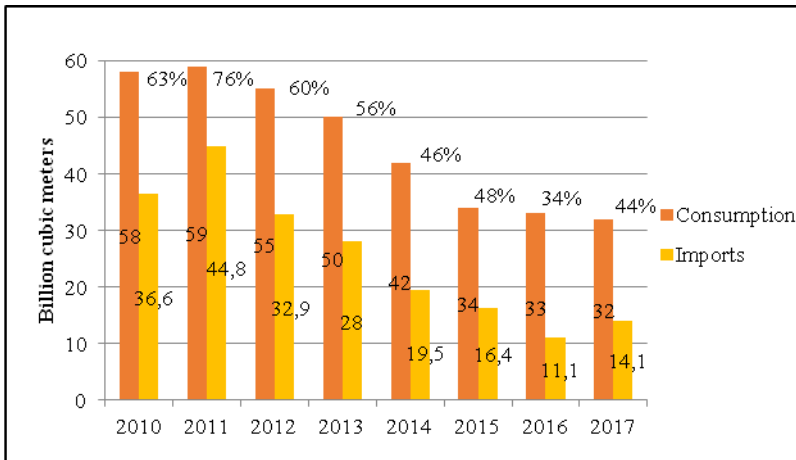


Figure 5.3 Dynamics of natural gas imports and consumptions in Ukraine

There is a positive tendency in the reduction of imports percentage within the consumption structure from 63% in 2010 to 44% in 2017. Since 2016, Ukraine has not purchased natural gas from Russia and overcame gas dependence. Therefore, the state purchases natural gas majorly from Hungary, Slovakia and Poland, in cooperation with such European operators as FGSZ, Eustream and Gas-System S.A. Today, Budince (Slovakia) is the main point of connection for gas imports from Europe, providing 70% (9.9 billion cubic meters) of supplies. Beregdaroc (Hungary) and Hermanowice (Poland) 19.8% (2.8 billion cubic meters) and 9.2% (1.3 billion cubic meters) of gas imports. One of the most promising factors of the energy sector development with the simultaneous development of the Ukrainian economy is the development of alternative energy sources. Indeed, in the circumstances of almost depleted energy resources, it is necessary to look towards more eco-friendly energy sources. It had to be done 10 years ago as far as such sources require rather large investments, which can hold back the economy of the country until they become profitable.

Due to the effect of extracted energy sources on the environment and climate of the world, the countries agreed on Paris Climate Agreement. As it was adopted, countries must take steps to keep the planet's average temperature rise below 2C. In order to meet these requirements, it is necessary to reduce carbon dioxide emissions. And the precondition for

the reduction could be rapid changes in the energy sector of the world, in particular, reaching of “energy shift” from the extractive types of energy resources to renewable (alternative) ones.

In cooperation with the Institute of Economics and Forecasting of the National Academy of Sciences of Ukraine and the Heinrich Boell Foundation Office in Ukraine the research has been conducted which shows opportunities for Ukraine to shift from non-renewable to renewable energy sources (RES) by 2050. The three ways of further development of Ukraine’s energy sector have been modeled. One of them is the Conservative scenario, which in fact has become the baseline. It implies “freezing” of technologies at the current level. The second is the Liberal scenario which stipulates the development of the energy sector under conditions of free competition. The third one is the Breakthrough scenario or rapid development of RES with 91% of final energy consumption by 2050.

These scenarios may form the basis for further approach to the development of Ukraine’s energy sector for the next 20-30 years.

The Conservative scenario was seen as a development on a steady basis, when RES technologies practically were not involved in energy sector. It was used as a basic scenario when considering and comparing alternative scenarios (Liberal and Breakthrough ones), namely the effectiveness of measures to stimulate technological change in energy sector and in the economy.

The conditions of the Liberal scenario imply perfect competition across the national energy market and its sectors. If it is implemented, it is expected that the percentage of RES can exceed 30% of final consumption of energy resources by 2050. The results show that renewable energy has competitive prospects comparing to traditional industries without usage of additional enhancement for RES development.

However, if the targeted state policy for the development of renewable energy is introduced, which is the condition of the Breakthrough scenario of Ukraine’s “energy shift” it is quite possible to increase the percentage of RES to 91% in the final consumption of energy resources by 2050. It would also reduce energy needs to 42% by implementing measures to improve energy efficiency and energy saving [4].

Ukraine has sufficient renewable energy potential that can fully meet the country’s demand for energy resources and services, even while maintaining a high proportion of energy-intensive industries

(metallurgy, chemical, food, etc.) in the country. Not only energy, environmental and climate problems but also socio-economic problems can be solved in the case of full or at least partial domestic production of technologies in Ukraine.

According to statistics, there is a gradual increase in the share of renewable energy and its consumption in the total amount of produced energy in the country (Table 5.1).

Table 5.1

Renewable energy consumption indicators

No.	2011	2012	2013	2014	2015	2016	2017
1	<i>Total primary energy supply, thousand tons of oil equivalent</i>						
	126438	122488	115940	105683	90090	94383	89625
2	<i>Hydropower, thousand tons of oil equivalent</i>						
	941	901	1187	729	464	660	769
3	<i>% to total, %</i>						
	0,7%	0,7%	1,0%	0,7%	0,5%	0,7%	0,9%
4	<i>Biofuel energy and waste, thousand tons of oil equivalent</i>						
	1563	1522	1875	1934	2102	2832	3046
5	<i>% to total, %</i>						
	1,2%	1,2%	1,6%	1,8%	2,3%	3,0%	3,4%
6	<i>Wind and solar energy, thousand tons of oil equivalent</i>						
	10	53	104	134	134	124	149
7	<i>as a percentage, %</i>						
	0,0%	0,0%	0,1%	0,1%	0,1%	0,1%	0,2%
8	<i>Total energy supply from renewable sources, thousand tons of oil equivalent</i>						
	2514	2476	3166	2797	2700	3616	3964
9	<i>Share of energy supply from renewable sources, %</i>						
	2,0%	2,0%	2,7%	2,6%	3,0%	3,8%	4,4%

Source: [5]

The challenges facing the country, such as cheap extractive energy (Nord Stream-2) from Russia and others, are leading the country to launch a revolutionary scenario. Nevertheless, it can be said that it has already begun to embody.

Concerning some projects that are already implemented in Ukraine and are planned to be implemented in the coming years, one thing is ultimately clear – they can become possible only through foreign investment.

One is the Chernobyl Solar Power Plant, where a nuclear catastrophe

occurred in 1986. It came into effect on July 1, 2018, when 800 solar panels covering 1.6 hectares were commissioned and allowed to supply electricity to about 2,000 apartments. It has a capacity of 1 megawatt (MW) and costs approximately EUR 1 million. This project was developed jointly by the Ukrainian company Rodina and the German Enerparc AG. Today the company has won a tender for the construction of another 7 MW based in Chernobyl.

Also in July of this year, a new joint US-Ukrainian project with the participation of US side General Electric (GE) and Ukraine's LongWing Energy S.C.A. came into force. They are investing approximately \$ 150 million for the first stage of construction of the Zaporizhzhia wind power plant. According to the plan, the capacity of the station will reach 98 MW and will be operational by 2020. It will be the fourth energy-related project in Ukraine that the US company is funding.

European companies Vestas, NOTUS Energy, and Altostrata also make up a small proportion of investors who plan to implement and invest in wind energy projects in Ukraine. DTEK, one of the largest non-governmental energy companies in the country, is also engaged in this. Today, it plays a key role in the renewable energy sector. The company covers almost half of all investments and has already invested more than € 1 billion in the construction of 1GW solar and wind power plants.

DTEK has opened a new Wind-operated power plant in Primorsk, which is now one of the largest in the country. The plant will generate 700 million kWh of electricity annually. This can comply with the electricity needs of up to 360,000 apartments or private homes. Putting such renewable energy into operation will help reduce carbon dioxide emissions by up to 750,000 tons annually.

At the end of September, the National Energy Regulatory Commission of Ukraine released data showing that in the last year the capacity of renewable energy has increased by 6 times compared to the previous year.

In addition, solar power increased by more than five times and reached 780 MW. Thus, renewable energy sources currently account for 4.9% of Ukraine's total energy production.

But to achieve greater results, we need to attract \$ 30 billion in investment, implement effective financial instruments of influence, a transparent legal framework and a favorable investment climate for investors.

Another important area of the development of alternative energy in

Ukraine and the world is the development of biogas. This direction can give substitutions of 3 to 18 billion cubic meters of natural gas per year, which also enables the country to become an energy-independent state. The development of biogas projects is facilitated by the existence of a “green” biogas tariff. However, it is more vital to start biogas production with agricultural waste in order to be able to preserve fertile black soil. Biogas from agricultural waste can also help reduce the greenhouse effect and harmful emissions.

Still, it is not possible to solve quickly the problem of the country’s energy dependence on the extractive industries. It will take several decades before the generation of energy from alternative sources becomes an important part of the national energy balance.

There is an unclear situation regarding the status of the “green” tariff in Ukraine today. According to the laws, the state promised transparent functioning of this tariff by 2029. This allowed attracting more than one billion euros in investments for the development of alternative energy. But in recent months, “the rules of the game” have changed, thus leading to the suspension of investment programs, because of investors’ doubts about the transparency of the state’s further actions in this direction.

In view of the current state of the development of the energy sector in Ukraine, the state needs to ensure the transparent existence of the energy market, which was introduced on July 1, 2019, and to regulate its utter antimonopoly to ensure all the participants of the market have equal opportunities, rights and freedoms. Careful consideration should also be given to the introduction of legislative changes in the regulation of the energy sector so that investors feel the transparency and favorable conditions for investing intensively in alternative energy. In addition to investing in alternative energy, the state should not abandon its own natural resources extracting along with development of traditional energetics to minimize dangerous dependence on imports of raw materials. It reasonable since Ukraine has enough gas and oil reserves for its own needs.

Therefore, Ukraine has the opportunity to forcefully develop the potential of hydrocarbons to ensure its long-term energy independence, and to reach the goal of replacing traditional energetics with renewable. In order to develop its economy, the country needs to expand its capacity with environmental programs, and take steps to improve the investment climate for foreign and domestic investors to accelerate the development of alternative energy. Such steps are among those which

primarily may help Ukraine not to be left behind other countries where investors are already being invested in alternative energetics and have the opportunity to become a major energy exporter in the future, since our country has all the opportunities.

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PLAN AND SCHEME OF MEASURES TO REDUCE THE NEGATIVE PERCEPTION OF INNOVATIONS BY CARRIERS AND THE POPULATION (DIVIDED INTO GROUPS) IN INTERNATIONAL COLLECTIVE

The introduction of smart metering in urban passenger transport based on the integration of smart innovations and information technology forms a certain set of reviews among consumers of

passenger services, requires measurement, evaluation and the formation of a set of relevant measures.

The current model of functioning of urban passenger transport does not meet modern challenges and significantly lags behind the practical experience of developed economic systems. Service quality of passenger's transportation app is not long enough changed and is at an unsatisfactory level, to which one of the users has adapted, and the other – chose alternative ways to address the issue of mobility in everyday life. Due to the long absence of innovations in the quality aspect of passenger transportation services, innovations provoke an ambiguous reaction from all participants of urban passenger transportation, both users and carriers, the perception of which should be evaluated and minimized cases of the negative perception of smart innovations. So, it requires the development of a consistent algorithm of actions to implement a plan and scheme of measures to reduce the negative perception of innovations by carriers and the public.

An analysis of the perception of innovations by carriers has revealed certain risks for rejecting innovations for a number of reasons:

1) The existing system of passenger transport services, revenue or income of carriers depends on the workload of the route, its length, and the advance I motion graphics with carriers competitive routes.

2) Introduction of smart accounting and in urban passenger transport declines drivers feature obtaining funds in the form of fare, but in the case of passengers ignoring the need to buy a ticket in the absence of checks on the process will lead to a decrease in total revenues, which would wipe the city and the carrier.

3) The need to introduce the position of inspector performing random checks on passenger transportation routes requires the formation of a separate payroll for this category of workers. This financial burden should be taken into account in calculating the cost of passenger transportation, and in the future, it can lead to an increase in the amount of passenger transportation fees that fall on users.

4) Failure to fix the fixed cost of passenger transportation if their cost is linked to distance is an obstacle to long-term forecasting of financial results of operations, which will not allow planning technical re-equipment and necessary repairs of vehicles in the predicted future.

5) The need to monitor the support in the operational state of smart metering devices lies with the carrier. This driver passenger transport shall promptly report the situation and the incorrect use of smart accounting devices.

6) If it is not possible to pay the cost of transportation using smart metering devices, such a vehicle cannot be allowed on the route, which reduces the carrier's revenue and requires constant availability of technical support specialists to eliminate possible problems.

To reduce the negative perception of innovation on the part of carriers hold in the context of the subjects of the group – participants operating model of urban passenger transport, SWOT-analysis of the introduction of smart accounting and in urban passenger transport on the basis of integration of smart innovation, information technology and marketing tools (Table 5.2).

The SWOT-analysis made it possible to highlight the strengths and weaknesses of introducing smart metering for the carrier, to see the potential opportunities and threats that await it when participating in this model of passenger services.

The implementation indicated in the Table 5.2 opportunities for carriers will become available if a consistent system of measures is implemented to reduce the negative perception of the innovations indicated in Figure 5.4. They cover an action plan that is organizational, educational, economic and marketing in nature.

Implementation of measures within the framework of the action plan to reduce the negative perception of innovations by carriers should be implemented in stages, starting with the psychological perception of rationality and the need for change. After all, innovations introduced in the service sector are, in the first place, the nature of social and psychological changes for subjects of the passenger transportation market than technological.

Information awareness of carriers regarding the international practice of introducing smart metering in passenger transportation will reduce the tension of conflict of interests of participants and shift the emphasis to the economic attractiveness of the issue. A detailed justification of technological advantages in combination with economic benefits for carriers will minimize the risks of potential resistance to innovation during implementation.

The need to comply with the driver's traffic schedule will improve labor discipline and promptly identify the facts of its violation by the carrier.

The carrier will be interested in continuously monitoring the driver's strict observance of duties and the provision of quality transportation services, since the probability of continuing the contract with the city in the next reporting period will depend on this.

Table 5.2

SWOT-analysis of the implementation of smart metering in urban passenger transport based on the integration of smart innovations, information technology and marketing tools from a position of consideration of carriers

<p><i>Strengths</i></p> <ol style="list-style-type: none"> 1. Joining the creation of an innovative transport system creates a positive image of a carrier that provides passenger transportation services. 2. Obtaining a fixed income, allows you to plan and predict activities in the enterprise for the future. 3. Reducing the level of stress and emotional and psychological stress of drivers. 4. The technological advantage of market players who have joined the smart accounting system. 5. Improving traffic safety, as drivers of passenger vehicles will not be distracted by the need to perform the functions of a cashier. 	<p><i>Weaknesses</i></p> <ol style="list-style-type: none"> 1. The limited resources of the budget system as a factor that can create delays in the payment of funds to carriers from the budget. 2. The need for control and timely provision of information on the occurrence of technical mismatch of smart metering devices. 3. The absence of an alternative method of calculation, except for the use of an electronic ticket system, does not allow non-equipped vehicles to enter the route, which may lead to the termination of the contract with the carrier city.
<p><i>Capabilities</i></p> <ol style="list-style-type: none"> 1. Positioning of the carrier as a socially responsible business entity in the market. 2. High loyalty of users of passenger transportation services, due to an increase in the level of quality of services in terms of compliance by carriers with traffic schedules, ease of payment for the use of services. 3. The opportunity to participate in state programs for the development of urban passenger transport. 4. Positive response from users, which is the "testator" innovation will expand the target audience and to contribute to the reduction of car ownership Ukrainian cities. 	<p><i>Threats</i></p> <ol style="list-style-type: none"> 1. High competition between carriers for the opportunity to provide quality passenger transportation services. 2. Decrease in revenue compared to the modern passenger transportation model. 3. The presence of an inflexible price system, which is under the control of state regulatory bodies, which may increase the risks of insufficient coverage of the expenditure part of the case according to the calculations of carriers. 4. The low level of awareness of some categories of people using passenger transportation services, as well as the likelihood of incorrect use of smart metering devices. 5. Lack of sufficient public funding to support the implementation of innovations in smart accounting.

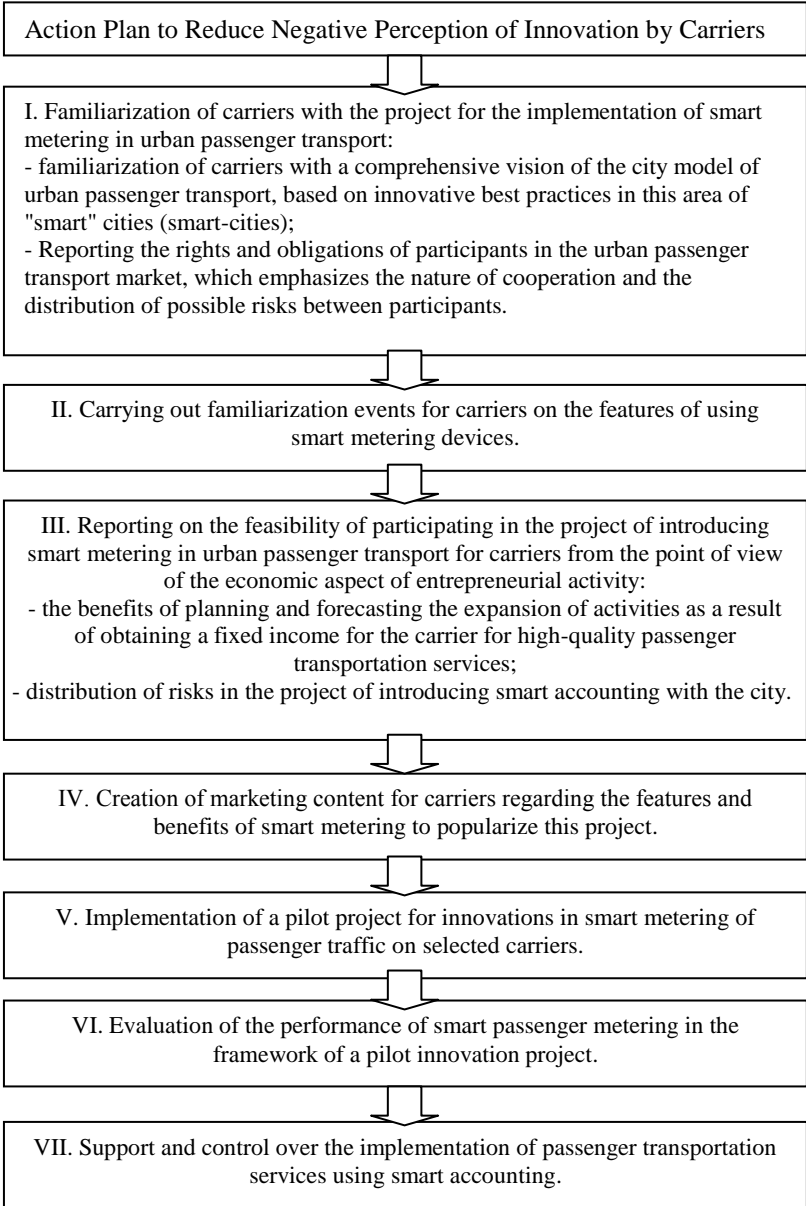


Figure 5.4 Action plan to reduce the negative perception of innovations by carriers

The transition to cashless fare payment will reduce the risk of profit shortfall, since in this model of functioning of urban passenger transport, payment for passenger transportation services is carried out by the city directly to the carrier. The intermediate link in the person of the driver, who acts as a cashier, disappears, so the probability of not accounting for part of the proceeds is excluded. The human factor when paying for fares when using the smart accounting system is minimized.

Consideration of a system of measures for reduction of the negative user experience of smart accounting innovations in urban passenger transport will depend on exercising their classification according to the principle of the age of social and distribution, which will determine the specificity of action applicable to each group.

As part of the study, 4 groups of users of passenger transportation services were identified (Fig. 5.5).

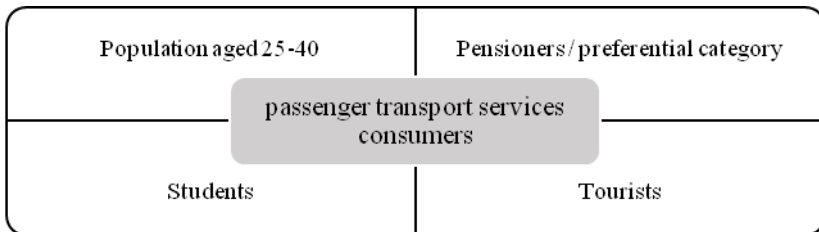


Figure 5.5 Classification of consumers of passenger transportation services by age and social status

This classification will allow to identify the needs of each group, susceptibility to innovation and to formulate an action plan for the formation of positive feedback as a result of the introduction of a smart metering system in urban passenger transport based on the integration of smart innovations, information technology and marketing tools.

Factors that determine the characteristics of the consumption of passenger transportation services can be structured as follows: economic; cultural; social; psychological; marketing; situational; personal preferences, etc.

These factors are the main assessment of the reaction of the passenger transportation services market participants during the SWOT analysis when identifying strengths and weaknesses, threats and opportunities when introducing smart accounting innovations for each of the considered groups in the study.

The consumer group “students” is one of the least protected when traveling costs increase, since the need to get to study and additional electives require active movement for six days a week, and if smart metering is introduced, the fare will automatically increase due to the need for technical equipping vehicles, updating the composition and monitoring its contents in proper form. The weaknesses of this consumer segment in the SWOT analysis included low personal incomes (Table 5.3).

Table 5.3

The main factors of the cluster analysis of income [8]

	Clusters				
	Students (before 24 years old)	Model Families (from 25 to 45 years old)	Families in difficult financial situation (from 5 to 45)	Families are more comfortable (from 27 to 50 years old)	Senior citizens
	Cluster 5	Cluster 4	Cluster 3	Cluster 1	Cluster 2
% of the population in the cluster	4 %	33%	20 %	18 %	25%
Factor ↓	Average	Average	Average	Average	Average
Student (high = yes)	70	0	0	0	0
Senior Citizen (High = Yes)	0	7	7	21	76
Age	6	37	37	43	73
Feeling of financial comfort	42	41	17	35	11
Average welfare	44	55	33	35	26
Personal income	15	34	20	21	9
Family income	51	56	43	45	30
Barely covering basic needs	59	74	33	48	10
Satisfaction with financial condition	47	48	19	33	12
OECD Final Score	48	65	54	47	52
Lack of funds	38	40	16	37	10
OECD Conduct Score	48	70	55	47	55

Consideration of the advantages and disadvantages of introducing smart metering in urban passenger transport based on the integration of smart innovations, information technology and marketing tools from the point of view of consumers in the age group from 25 to 40 years should be investigated using SWOT-analysis (Table 5.4). This tool will identify those issues on which e should pay special attention to the development of neutralizing the negative events of perception of innovation on the part of the population aged 25 to 40 years.

The next category of consumers of passenger transport services that requires consideration in the context of the introduction of an electronic ticket is pensioners. A SWOT-analysis of the introduction of smart metering in urban passenger transport based on the integration of smart innovations, information technology and marketing tools from the perspective of retirees is presented in Table 5.5.

Using smart accounting will allow you to clearly agree on the amounts that should be compensated to carriers for the transportation of privileged categories of citizens, and will prevent the risks of cost overruns or their misuse.

Smart accounting of passenger traffic allows you to create a transparent system of compensation of funds in the framework of the system of preferential transportation.

Now drivers must record the number of persons enjoying privileges for passenger transport, in the course of the traffic without the use of specialized software for this purpose, which can lead to errors in the calculations and cost overruns in the Budget compensation. The electronic ticket system thus improves the control function, which is based on actually confirmed data on the transportation of privileged categories of citizens.

Weaknesses include difficulty in understanding the features of cashless payments using retirees using an electronic ticket. Instructions for interaction with smart metering devices in urban passenger transport should be as accessible as possible for pensioners and not contain a double definition of certain positions on the features of technical operation.

Pensioners should be able to use smart metering devices when calculating a preferential electronic ticket without outside assistance.

A SWOT analysis of the introduction of smart metering in urban passenger transport based on the integration of smart innovations, information technology and marketing tools from a tourist perspective is presented in Table 5.6.

Table 5.4

SWOT-analysis of the introduction of smart metering in urban passenger transport based on the integration of smart innovations, information technology and marketing tools from a position of consideration of the population aged 25 to 40

<p><i>Strengths</i></p> <ol style="list-style-type: none"> 1. Active use of non-cash forms of payment for goods and services in everyday life, which develops a certain culture and consumer habits. 2. Ensuring a high degree of mobility, this is relevant for this segment of the economically active population. 3. Savings on servicing and refueling a personal car when using public transport. 4. Using Internet banking, Mobile banking. 5. Using gadgets with the respective mobile and payment and applications. 	<p><i>Weaknesses</i></p> <ol style="list-style-type: none"> 1. Negative past experience of using the electronic ticket system in other cities of Ukraine or abroad. 2. The insufficient income level of families in difficult financial situation runs counter to the increase in the fare, which will be due to the need to update the movable composition of urban public transport. 3. The lack of comfort in public transport compared to a personal car. 4. Lack of dedicated lanes for public transport. 5. Insufficient awareness of the savings resulting from replenishment of the electronic ticket card at the nth cost of travel.
<p><i>Capabilities</i></p> <ol style="list-style-type: none"> 1. Using an electronic ticket will improve the quality aspect of financial planning for the family budget for a month. 2. Departure from the form of cash payments for passenger transportation services will eliminate the manifestations of the criminal situation in transport. 3. The positive experience of using the “electronic ticket” will expand the information on convenience among older family members. 4. Preservation of the state of emotional comfort of the population. 	<p><i>Threats</i></p> <ol style="list-style-type: none"> 1. The ability to face incorrect work of equipment, providing smart accounting of passenger transportation. 2. The need to pay for travel each time during a transfer, which will increase the cost of travel. 3. The inconvenience of the process of buying / replenishing a card as part of the “electronic ticket” program. 4. Increase in the cost of paying for passenger transportation in connection with the need for technical equipment of transport, updating the composition of carriers. 5. More advantageous use of a ticket in comparison with electronic.

Table 5.5

SWOT-analysis of the introduction of smart metering in urban passenger transport based on the integration of smart innovations, information technology and marketing tools from a position of senior citizens

<p><i>Strengths</i></p> <ol style="list-style-type: none"> 1. Transparency of settlements in the smart metering system in urban passenger transport. 2. The use of preferential fares in urban passenger electric vehicles. 3. Savings on servicing and refueling a personal car when using public transport. 4. Meeting the need for quality passenger transportation services. 	<p><i>Weaknesses</i></p> <ol style="list-style-type: none"> 1. The use mainly of cash payments in the process of acquiring goods and services. 2. Reluctance to master innovative technologies. 3. Unsuccessful personal previous experience using cashless payments. 4. The need for third-party assistance in the operation of smart metering devices for cashless payments. 5. Lack of material support when using transport that does not imply a preferential fare.
<p><i>Capabilities</i></p> <ol style="list-style-type: none"> 1. Accurate accounting of the number of preferential categories of the population, incl. pensioners who use urban transport services in calculating the amount of subsidies and subsidies from budget funds. 2. Updating the e -ended electric transport at the expense of funds allocated from the budget, since it is the category of "senior citizens" is actively used as a means of transportation trams, trolley buses. 3. Identification of the person enjoying the right to privileged travel with the help of an individual privileged electronic ticket, which will ensure the implementation of the principle of "targeted orientation" of budget funds. 4. The factor of psychological comfort in transport by minimizing the need for communications. 	<p><i>Threats</i></p> <ol style="list-style-type: none"> 1. Providing a limited number of preferential trips by electronic ticket. 2. The ability to encounter incorrect operation of equipment that provides smart metering of passenger traffic. 3. Delay in targeted payments for the preferential category of passengers. 4. Incomplete coverage of all categories of transport for passengers using a preferential electronic ticket. 5. More advantageous use of a ticket in comparison with electronic. 6. The increase in the cost of paying for passenger transportation due to the need for technical equipment of transport, updating the composition of carriers in those modes of transport that do not support the preferential travel arrangements for pensioners.

Table 5.6

SWOT-analysis of the introduction of smart metering in urban passenger transport based on the integration of smart innovations, information technology and marketing tools from a tourist perspective

<p><i>Strengths</i></p> <ol style="list-style-type: none"> 1. Experience in using the “electronic ticket” in the city / country of residence. 2. The possibility of cashless payments, which simplifies the need to convert cash currency and search for a commercial bank or exchange office providing these services. 3. Getting high-quality passenger transportation services. 	<p><i>Weaknesses</i></p> <ol style="list-style-type: none"> 1. Lack of experience in using the “electronic ticket” in the city / country of residence. 2. The use of mainly cash payments. 3. Unsuccessful personal previous experience using cashless payments. 4. Not a favorable rate when buying a small number of trips.
<p><i>Capabilities</i></p> <ol style="list-style-type: none"> 1. The possibility of financial planning of the trip budget. 2. Ensuring the safety of travel in public transport. 3. Preservation of emotional comfort in tourist trips. 4. The formation of a positive image of the city as a result of the use of innovations in transport infrastructure. 	<p><i>Threats</i></p> <ol style="list-style-type: none"> 1. Inability to use preferential certification outside the city of residence. 2. The inconsistency of the mechanism of budget compensation for the preferential category of tourists. 3. The need for third-party assistance from local residents in the operation of smart metering devices. 4. Lack of the necessary language layout when using smart metering devices. 5. The inconvenience of routes and stops for tourists. 6. Stowaway.

Thus, the study made it possible to identify risks, weaknesses and strengths, opportunities and threats as a result of reforming the current model of urban passenger transport functioning by carriers and consumers – the population, dividing the latter into groups (students aged 25-40, pensioners (beneficiaries), tourists).

Based on the SWOT-analysis of the introduction of smart metering in urban passenger transport based on the integration of smart innovations, information technologies and marketing tools from a position of carriers’ consideration, measures were developed and proposed as part of an action plan to reduce the negative perception of innovations by carriers, which involves phased implementation. The reasons for the slow perception of innovation by staff are clarified and recommendations are given.

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**THE USE OF
INFORMATION
TECHNOLOGIES IN THE
EDUCATIONAL PROCESS
OF A HIGHER SCHOOL**

Introduction. Modern society is characterized by computerization of all spheres of human life, and, in particularly, the educational one. One of the strategic directions of the development of current education system is the widespread implementation of the information technologies into the educational process. The requirement for using these technologies in higher education establishments is caused by the necessity to train specialists who are able to apply their knowledge in terms of a new information society. Therefore, the improvement of the content of modern higher education through the implementation of modern information technologies is a relevant task of the theory and practice of a higher school.

Analysis of recent researches and publications. The research on the basics of application of computer technologies in the educational process was started by N. Talizina, E. Mashbits, M. Zhaldak and others. The features of using particular computer technologies, as well as various aspects of their creation and implementation into the educational process are considered in the works of the following scientists: A. Anisimov, V. Bezpalko, R. Gurevich, M. Kademiya, A. Rybalko and other Ukrainian and foreign authors.

The researches of V. Bykov, V. Zabolotny, V. Klochko, V. Lapinsky, M. Lvov, N. Morse, S. Rakov, Y. Ramsky,

O. Spivakovsky and other scientists provide convincing evidence, that the introduction of information technologies in the educational process enables the individualization and differentiation of the learning process, expansion of the teacher's ability to implement didactic principles and meanwhile improves the quality of learning the training material and promotes the activation of students' educational and cognitive activity [2].

Thus, the following information technologies are used in the process of learning of mathematical disciplines in the universities: geometric systems (Autodesk 3ds Max, ANSYS, GRAN 1, GRAN 2D GRAN 3D, Geogebra); computer math systems (Derive, Maple, Matlab, Mathematica, MathCAD, Maxima) and so forth. Their use provides great opportunities for regulation of the amount and the presentation of information, the continuance of its learning; the definition of types of independent work, the quality control of mastering of knowledge by students, etc. The issue of efficiency of application and option of the technologies mentioned above is solved by the teacher [2].

The rapid development of the latest information technologies and the growing requirements for the professionalism of modern specialists provoke the further researches on the possibilities of computer technologies introduction in modern higher education.

In particular, an important issue is to train specialists in economic specialties with the application of new information technologies, as accountants, financiers, check men create various tables, lists, catalogs, financial and statistical reports, analyze the state of a trading enterprise, process the results of scientific experiment, keep records, prepare presentation materials, work with a wealth of information, which is almost impossible to process manually (without dealing with computers). Nowadays, it is unfeasible to apply for the position of top manager, securities specialist, economist, etc., unless you use modern information technology, namely, it is required to deal with spreadsheets, database management systems and graphics.

One of the most popular programs operating in the Windows operating environment, enables economists to perform most of the professional tasks, is the Microsoft Excel spreadsheet, as it combines the capabilities of a graphic and text editor, as well as powerful mathematical support.

Several authors (M. Vinogradov, I. Karimov, O. Kolisnyk, M. Medvedev, N. Pravovskaya, A. Savchenko, etc.) considered the application of Ms Excel in teaching certain sections of economic

disciplines [3], [5].

Unfortunately, some issues related to the systematic use of computer technologies (in particular the Microsoft Excel spreadsheet) are frequently overlooked during the studies of economic specialties experts.

Therefore, **the purpose** of the article is to develop a comprehensive approach to the use of the Microsoft Excel spreadsheet for preparation of experts in economic specialties in a higher school, and to prove its feasibility and efficiency.

Results. The history of spreadsheets has developed over a long period of time. Nowadays, Microsoft Excel is one of the most powerful and efficient programs. Excel can be used either to solve common accounting tasks, or to compile various forms, business graphics, even for full balance sheet, production planning, tax and payroll calculating, personnel accounting, property management, and so forth.

The curriculum of most economic specialties in a higher school provides the study of the discipline “Economic Informatics” in the first year. During this course, students learn how to deal with the Microsoft Word, the Microsoft Excel, and the Microsoft PowerPoint.

Generally, in the period of further training, studying the disciplines of professional training, the preference is given to input data in the Microsoft Word and create presentations in PowerPoint.

We believe that in the current circumstances, the task of lecturers who teach the disciplines of economic specialties (for instance, theory of economic risks, system analysis, economic and mathematical modeling, forecasting socio-economic processes, probability theory and mathematical statistics, etc.) is to apply the Excel during the practical and laboratory classes in the mentioned subjects.

The Ms Excel spreadsheets enables to calculate formulas, present data in the form of diagrams, structure the data, make a sample of large tables, create consolidated tables, etc. The capabilities of Excel are very potent: word processing, database management; the processor is so versatile that it exceeds specialized editor programs or database programs. Excel provides both the ease of data handling and preservation. It is permitted to accomplish work so fast that it does not require a waste of paper and time.

The program is able to calculate sums on rows and columns of tables, to calculate the arithmetic mean, a bank interest or dispersion, and, generally, it is possible to use many standard functions: financial, mathematical, logical, statistical.

Several examples of application the Ms Excel in teaching professional disciplines at economics universities are considered in this article.

For instance, in the process of studying the subject of Probability Theory and Mathematical Statistics, the MS Excel can be used directly as a powerful calculator for computation. This contributes to a deeper learning of theoretical material. Furthermore, the use of inline functions enables to solve the complex economic problems fast and efficiently, which are of considerable practical importance.

The use of the MS Excel software enables the quick automating of the calculation of the number of combinatorics combinations, the probability of an event, repeated independent experiments according to a Bernoulli trial (or binomial trial), visualization of random variables and finding their numerical characteristics, investigation of the main laws of distribution of random variables (binomial, geometric, hypergeometric, normal (Gaussian, Gauss or Laplace-Gauss), exponential, Poisson); analyze the data by constructing a polygon of distribution of random variable.

The teachers of the department of Economic Cybernetics and Information Systems of VITE KNUTE have published and implemented into the educational process a training manual on the discipline “Probability theory and mathematical statistics”, the third chapter of which is dedicated to the introduction of information technology in the process of teaching the probability theory. This section addresses the following issues:

- solving problems of the probability theory using Ms Excel;
- use of GRAN1 in the study of distributions of random variables;
- virtual experiment with random variables and its visualization by means of Geogebra.

The training manual provides a methodological support for application of modern information technology in order to solve certain problems in probability theory, which enables getting rid of routine operations and focus on the specific problems that constitute the content of deep mathematical theories. The use of Gran 1, MS Excel, Geogebra, in the process of solving certain problems, gives students the opportunity to develop the ability of complex application of modern information technologies in different areas of economic objects management.

It is feasible to accompany specific probabilistic topics (for example, “Continuous Random Values”) with appropriate illustrations that

however, could be time wasting. Furthermore, for successful study of these topics, students must be aware of certain mathematical concepts and techniques (calculating a definite integral; plotting a function given in different ways; etc.). The lack of such knowledge can transform the study of these topics into the study of separate sections of Further Mathematics. In this case, the teacher has to find a way to understand the essence of the new concepts and their characteristics without distraction to analytical calculations and long-term hypergeometric construction of the graphs of functions.

The software pedagogical tool GRAN 1 handles these requests, as it is designed for graphical analysis of functions. The software provides the ability to plot a graph of a function that is shown in Cartesian and polar coordinate systems, parametric, implicit, or in a table, in the form of a polygonal chain or a set of statistics. For the constructed functions it is possible to calculate the definite integrals, values of derivatives at given points. Here is an example of solving a problem in the probability theory with the help of GRAN 1.

Problem. The random variable is given by an integral function. The tasks are to find the differential function and to construct the graphs of these functions.

$$F(x) = \begin{cases} 0, & x \leq 1; \\ \frac{1}{7}(x\sqrt{x} - 1), & 1 < x \leq 4; \\ 1, & x > 4. \end{cases}$$

Answer. The graphs of the given functions constructed in GRAN 1 are presented in the Figure 5.6 and Figure 5.7. Graphical analysis of functions enables comparing the cumulative distribution functions with the probability density ones; finding the common and distinctive features and correlating them [2].

During the forecasting socio-economic processes, especially, constructing a forecast based on a pair of linear regression model parameters can be conveniently found using the LINEST function. In this case, it is expedient to build a correlation field and to add a trend line. In forecasting, it is important to establish a close or strong relationship between the variables. It can be reached by calculating the correlation coefficients. In order to calculate the correlation with MsExcel, the CORREL function can be applied. It will significantly save time and enable to focus more on the economic content of the processes and phenomena.

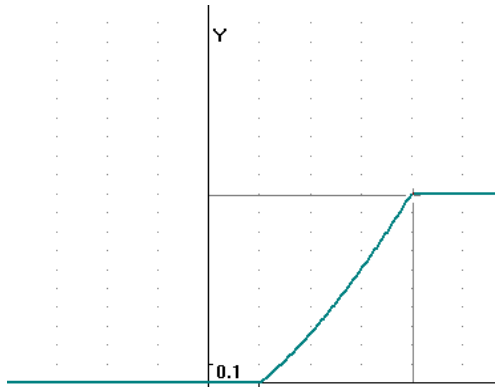


Figure 5.6 The graphs of the integral function

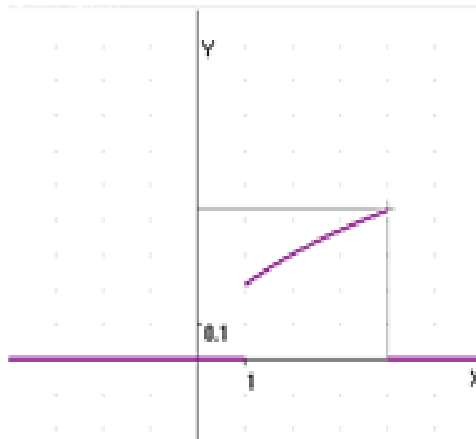


Figure 5.7 The graphs of the differential function

Excel is currently the most popular spreadsheet that enables to build different graphs, diagrams which contribute to a more complete way of presenting information and learning material by students; it is easy to operate with numbers; it has a user-friendly interface.

When performing economic risk analysis, calculating the comparative indicators of risk, it is advisable to use the inline statistical functions DEVSQ and VAR. These functions allow finding the values of the standard deviation and dispersion of the required economic

values. Different statistical criteria are used in the study of the topic “Delphi Technique”, meanwhile, Excel will be useful in this case. In particular, the critical value of the Student’s t-statistic can be obtained by using the TDIST function of MS Excel, and the tabular value of the F-criterion is obtained by the statistical function of FDIST.

Risk is well-known as an inherent attribute of social life that is peculiar to all its spheres. Risks are manifested in various forms and industries. The activities of modern enterprises involve many risks. The degree of influence of risks on business entities has increased dramatically since the transition to a market economy. Nowadays, the risk-free areas and business entities are virtually non-existent. However, there are risks that do not depend on the financial and economic activity of the enterprise, but exist objectively at the national level. These risks include investment ones. In order to reduce the overall amount of losses from systematic risks, an enterprise needs to react timely to changes in macroeconomic parameters and to develop an effective adaptation mechanism.

Students of Vinnytsia Institute of Trade and Economic of KNUTE of the educational program “Economic Cybernetics” developed a program of systematic risk assessment using Ms Excel.

Thus, the portfolio of securities, which is a group of various investments in financial market securities, is considered. If the portfolio includes n types of securities with the efficiencies x_1, x_2, \dots, x_n , where n is the number of time intervals in the period considered (sample volume), so a program is used to estimate the systematic risk by which the following indicators can be calculated: dispersion; coefficient of covariance; correlation coefficient; coefficient of variation; beta coefficient.

The expected return on a security indicates a measure of uncertainty in the investor's expectations. Covariance is a statistical measure of the interaction of two securities. If the covariance ratio is greater than 0, then the expected returns on securities tend to fluctuate one way, but if the index is less than 0, then the securities can offset each other. The comparison with other pairs of random variables correlation coefficient normalizes covariance. In order to compare the risk of different stocks with different average (expected) returns, a coefficient of variation is used. Variation in the range of 10 to 25% is considered to be moderate. The beta coefficient determines the level of fluctuations in the industry's performance as opposed to market performance. The higher is the coefficient of variation, the higher is the risk related to this industry.

Therefore, each of these indicators is important for the assessment of systematic risk and can be easily calculated using the proposed programme for different portfolios of securities.

Analyzing the results, students choose which security is best to invest in and which of the securities has the most uncertainty in the investor's expectations.

It is impossible not to apply the MS Excel in teaching the discipline “Financial Mathematics”, because the spreadsheet uses basic models of financial transactions, based on mathematical apparatus of methods of financial and economic calculations. For instance, the financial functions of Excel (PMT, IPMT and others) are intended for carrying out financial and economic analysis, financial and commercial settlements on loans, securities, etc. [4].

In teaching system analysis M. Vinogradov, O. Kolisnyk and A. Savchenko advise to apply the Excel spreadsheet to construct and search for mathematical models of economic processes.

Thus, meanwhile teaching some subjects (theory of economic risks, system analysis, modeling and forecasting of socio-economic processes, probability theory and mathematical statistics, etc.) Excel is advisable to apply to conduct special practical or laboratory classes, then in teaching such subjects as “Econometrics”, “Financial Mathematics” and others it is virtually impossible to teach without an Excel spreadsheet.

Therefore, teachers of the Department of Economic Cybernetics and Information Systems of the Vinnytsia Institute of Trade and Economic of KNUTE developed and implemented methodical recommendations for performing practical tasks and independent work of students using the PC in these subjects.

The mentioned methodological recommendations on each topic contain the theoretical information, tasks for independent work to prepare for the theoretical part of practical work, control questions, gradual progress with the procedure of plotting, different versions of realization of certain points of tasks, conclusions, basis for work in Ms Excel (accuracy of numbers presentation, dealing with functions, covariance, etc.).

For example, accomplishing the practical assignment on the topic “One-factor model” students use the method of least squares, implemented it with the help of Ms Excel. It is necessary to calculate plenty of values of intermediate indicators (XY, etc.) and the main indicators. Among them there are the average values of \bar{X} and \bar{Y} , estimators

b_0 and b_1 , values of standard deviation σ_ε , the value of the confidence interval of forecasting D_y , the value of the coefficient of determination, the calculated value of the F-test, the coefficient of elasticity [1].

Convenience, compactness and expediency of MS Excel capabilities in this case are shown in the calculation sheet of a one-factor experiment (Fig. 5.8).

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	Y	X	Y*X	X^2	Yp	(Y-Yp)^2	(Y-Yc)^2	(X-Xc)^2	Dy	Ymin	Ymax	(X-Xc)(Y-Yc)	Kel
2	4.33	2.00	8.66	4	5.881	2.406	175.182	9	1.229	4.652	7.111	39.707	1.324
3	9.497	2.50	23.74	6.25	7.829	2.783	65.103	6.25	1.086	6.743	8.914	20.172	1.244
4	9.123	3.00	27.37	9	9.776	0.426	71.278	4	0.952	8.824	10.728	16.885	1.195
5	13.012	3.50	45.54	12.25	11.723	1.660	20.735	2.25	0.834	10.890	12.557	6.830	1.163
6	13.124	4.00	52.50	16	13.671	0.299	19.728	1	0.738	12.933	14.408	4.442	1.140
7	16.051	4.50	72.23	20.25	15.618	0.187	2.294	0.25	0.673	14.945	16.292	0.757	1.122
8	18.431	5.00	92.16	25	17.566	0.749	0.749	0	0.650	16.915	18.216	0	1.109
9	18.521	5.50	101.87	30.25	19.513	0.984	0.913	0.25	0.673	18.840	20.186	0.478	1.098
10	20.177	6.00	121.06	36	21.460	1.647	6.819	1	0.738	20.723	22.198	2.611	1.089
11	24.145	6.50	156.94	42.25	23.408	0.543	43.288	2.25	0.834	22.574	24.242	9.869	1.082
12	25.252	7.00	176.76	49	25.355	0.011	59.081	4	0.952	24.403	26.307	15.373	1.075
13	26.741	7.50	200.56	56.25	27.303	0.315	84.188	6.25	1.086	26.217	28.388	22.938	1.070
14	29.949	8.00	239.59	64	29.250	0.489	153.348	9	1.229	28.021	30.479	37.150	1.065
15		8.50			31.197			12.25	1.380	29.817	32.577		1.061
16	228.353	65.00	1318.98	370.5	228.353	12.501	702.705	45.5				177.213	
17	$n = 13$		$X_c = 5$			$R = 0.99$							
18	$b_1 = 3.89$		$Y_c = 17.57$			$F = 607.32$		$t_{(0.05; 11)} = 2.2$					$K_{el} = 1.137$
19	$b_0 = -1.91$		$\sigma_\varepsilon = 1.07$			$r_{yx} = 0.99$							

Figure 5.8 The calculation sheet of a one-factor experiment

Conclusions. Economic information processing tools are currently quite effective and powerful. One of the most efficient programs is Excel. Most of the enterprises, where the future economists will work, are installing Microsoft Office software that includes the Excel spreadsheet. Therefore, it is necessary to systematically apply computer technologies (including the Excel spreadsheet) throughout the training period for such specialists in higher educational establishments. The use of modern information technologies increases the motivation to study the educational material, promotes better its generalization, enables to accelerate and deepen its study, focusing on the essence of the concept, and not to be distracted by the auxiliary analytical calculations, which can be an obstacle in studying of different subjects.

Further research is seen in the implementation of methodological developments into the educational process of economic higher educational establishments with the use of modern information technologies in the teaching of professional subjects.

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STRATEGIC ASPECTS OF DEVELOPMENT OF THE TOURIST INDUSTRY

Global processes embrace all spheres of the world economy including world market of travel services on modern stage of international economic relations. Modern tendency in economy of developed countries is an increase of a part of travel services in both structures: gross domestic product and consumers. Intensive development of new information technology, electronic trade in tourism industry is a characteristic feature. Such processes create threats for tourism industry of countries with lower competitiveness of national enterprises, imperfect market mechanisms and national tourist policy. It concerns countries with transformation economy including Ukraine.

To overcome negative tendencies is an urgent issue in modern

economic conditions, thus creating conditions for constant tourist development should be one of primary importance of national politics. Some means to overcome crisis phenomena, the reasons of which are in complicated socially economic situation, adjusted mechanisms to stimulate travel industry and absence of an effective strategy of this sphere at different management levels should be found.

A review of recent papers suggests that a considerable interest of scientists to these problems is present. Among Ukrainian scholars are the following: M. Afanasyev, O. Lyubitseva, V. Kyfyak, I. Malska, I. Smirnov, L. Ustymenko, V. Khudo. They described the history of tourism, revealed the essence of “tourism” and “travel industry”, investigated problems connected with business aspects of tourism, current status of tourist development in Ukraine was characterized they gave the characteristics of tourist-financial flows and management models in international tourist business. A. Vavrynyuk, O. Husyeva, N. Kotsan, N. Lutsyshyn, P. Lutsyshyn, V. Patyichuk and V. Yadoshchuk wrote about some aspects of international tourism. Current status of tourism development is characterized by high rates of increase, new types of tourism appear, new routes are developed, travel service is improved, new places of work are created in this sphere, infrastructure is built and new technologies in tourism industry are implemented. The stated above tendencies of tourism development are insufficiently investigated, therefore we should study modern tendencies of tourist development.

International tourist activity of Ukraine was investigated by V. Novytskyi and A. Dobrovolska. Ukrainian economist V. Novytskyi suggested that international tourism is “realization of complex of travel services on the territory of a country, where a consumer is a foreign citizen, besides to receive these services is the main target of a consumer, where he does not have paid activity” [1]. A. Dobrovolska considers international tourism as social and economic phenomena but not as business activity [2].

International economic aspect of tourist activity is still not enough investigated and needs to be thoroughly examined particularly in development and improvement of methods of assessment of conditions and factors of international economic activity of tourist enterprises, support of recommendations concerning increase of their competitiveness at foreign markets. Thus, this aspect defines our problem statement.

Tourism is called “Phenomenon of the 20th century”. Its development

plays a considerable role in attracting currency flows to a national budget, democratization of society, increase of cultural level of people etc.

In modern economic surrounding in Ukraine, tourism is the most prospective and dynamic sphere of the world economy and it has all conditions for its intensive development. Ukraine should be shown for tourists as a country, and it has a huge tourist potential with unique complex of historical, cultural and architectural monuments, recreational objects, natural and climatic resources.

Strategic development goal in Ukraine is to create a product, which should be competitive at foreign market, able to satisfy human needs, support of complex development of territories and their social and economic interests preserving geological balance and historical and cultural heritage [3].

The program of actions, which is oriented on this goal, should be synchronized with general rates of market mechanisms and correlative with the policy of structural reforms in economy. The experience from the tourist development in the world that creates favorable conditions for development of corresponding normative and legal base of tourism should be taken into consideration.

Tourism as a type of activity can not exist as a separate sphere of economy that is why it is necessary to examine its impact on economy of Ukraine including adjacent spheres. According to international consulting activity McKinsey and Company, to support a constant development of GDP in Ukraine, it is necessary to develop those economic spheres, which have considerable potential development. Travel industry is one of such spheres.

Income of Ukrainian tourist companies decreased under the conditions of economic crisis when international tourist flows are less in 50%. However, one can not say about the bankruptcy of the sphere. We can say that crisis gives serious possibilities to develop international and incoming tourism. In addition, some companies working earlier only with international tourism started to work with domestic tourism.

However, lately, reasons, stimulating progressive development of this sphere in our country, become active [4]:

- development of international migration, relations and cultural exchanges between countries causes widening and intensification of their contacts;

- economic growth and gradual increase of people's life lead to widening of the volumes of business trips and possibilities of

recreational trips and sightseeing;

- improvement of all types of transport, relative reduction of prices on transport service, simplification of visa and customs procedures, development of the sphere of services make tourism more open for population;

- democratization in the sphere of labor widens workers' possibilities to plan their vacations;

- democratization and openness of Ukrainian society, processes concerning international integration gradually lead to spread values of developed countries oriented on the full development of human personality in our country.

Travel services market needs to be constantly analyzed regarding new tendencies of reformation of tourist enterprise, and optimal decisions concerning problem statements and their fulfillment; algorithm of functioning of different types of tourist enterprises under the conditions of increasing competitive tense, possibilities to support marketing of travel industry.

Still, tourism development is very slow in Ukraine. Among the main problems influencing the development of tourism industry of the Western Ukraine are the following:

- ill-defined image of Ukraine at tourist market;

- low level of the development of tourist infrastructure;

- discrepancy of means of allocation with the world standards;

- absence of road signs and tourist and information signs;

- unsatisfactory state of historical and architectural monuments that is why they can not be used for tourist needs;

- imperfection of legislative and normative and legal base in tourism industry;

- low quality and insufficient range of travel services;

- insufficient tourist information both for tourists and companies (maps, advertisements, information about towns).

The program of reformation of travel industry should be developed to solve the stated above problems; this program should contain the following elements [5]:

- improvement of the existing legislative base and creating effective mechanisms of its realization;

- preparation of qualified and responsible qualified specialists;

- production development and implementation of financial and economic mechanisms to support a constant development as a primary

direction.

National tourism development is impossible if only market mechanism will be taken into consideration because tourism is not only an economic phenomenon but also deep social, spiritual and cultural ones. Therefore, national policy is necessary in the development of tourism industry in Ukraine.

All these problems require a complex approach to increase tourist development in the Western Ukraine (Fig. 5.9).

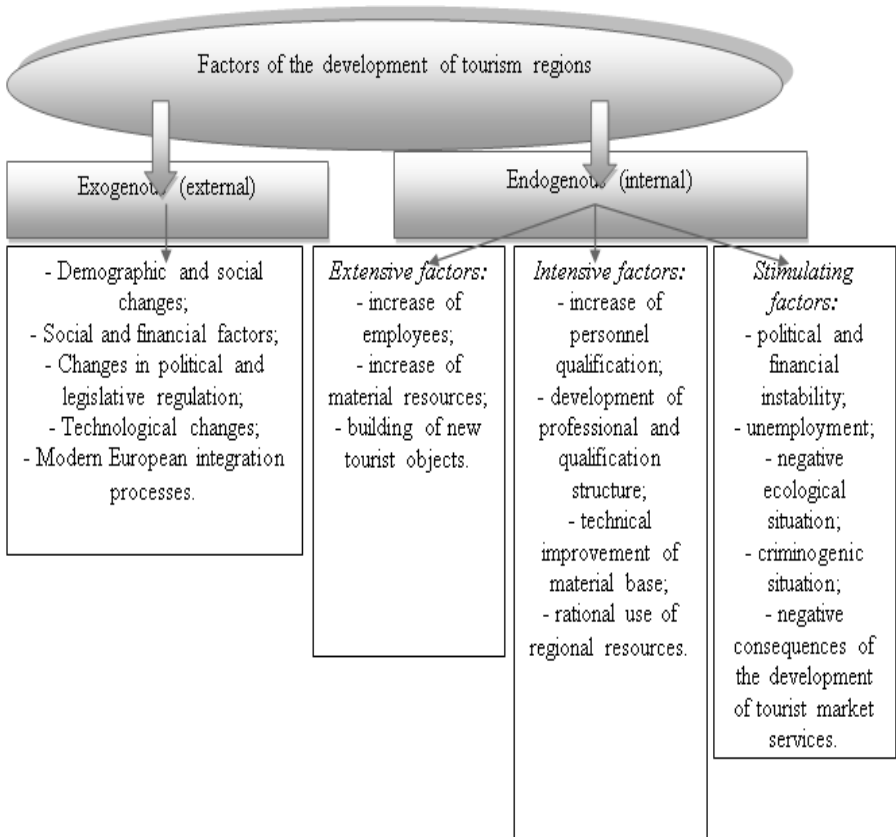


Figure 5.9 Factors of the development of tourism regions [6]

The tasks concerning an effective use of historical and cultural potential, increase of quality of national tourist product are not

suggested by legislation. The decrease of VAT on hotel services as the way to increase competitiveness of Ukrainian travel industry is not taken into account by legislation.

The principal moments, which are necessary for forming modern strategy of promotion of tourist product at national and international markets, are the next:

- advertising in mass media of Ukraine and abroad;
- development of exhibitions and fairs in tourism industry;
- presentations of tourist possibilities of Ukraine in countries prospective in tourism industry;
- forming of modern statics of tourism [7].

Tourism is an everyday phenomenon in the third part of population of the planet. Moreover, in the beginning of the 21st century, according to income tourism occupied the third place among leading spheres of the world economy.

The following counties supplying travel services, which are distinguished by their high level of constant quantity of tourist arrivals, can be emphasized: China, Turkey, Spain, France, USA and Italy (Table 5.7).

Table 5.7

International tourist arrivals [8]

Position	Country	Quantity, millions of people					Changes, %			
		2013	2014	2015	2016	2017	14/13	15/14	16/15	17/16
1	France	79.5	83.0	83.7	84.4	82.6	3.0	1.8	1	-2,2
2	USA	62.3	66.7	69.8	77.4	75.6	4.2	6.3	4.7	-2.4
3	Spain	56.7	57.5	60.7	68.5	75.5	7.6	2.3	5.6	10.3
4	China	57.6	57.7	55.7	56.8	59.3	3.4	0.3	-3.5	4.2
5	Italy	46.1	46.4	47.7	50.7	52.4	5.7	0.5	2.9	3.2
6	Turkey	29.3	35.7	37.8	39.4	39.4	8.7	3.0	5.9	0
7	Germany	28.4	30.4	31.5	34.9	35.6	5.5	7.3	3.7	1.7
8	Great Britain	29.2	29.3	31.2	34.4	35.8	3.2	-0.1	6.4	4
9	Russia	22.7	25.7	28.4	26.8	24.5	11.9	13.5	10.2	-8.6
10	Thailand	19.1	22.4	26.5	29.9	32.5	19.8	16.2	18.8	8.9

Tourism is an effective economic sector in Turkey, which develops dynamically in recent years. According to the UNWTO data, in 2017, the quantity of international tourist arrivals was 39.4 million of people and tourism income was more than \$ 26.6 billion what is comparatively with indications in 2013 more than in 10.1 million of people and \$ 4.1 billion correspondingly [8]. Turkey takes 13.5 % of all European tourism market, shows rapid rates of the growth of the quantity of foreign tourist arrivals.

Let us consider the system of public management in Turkey and its role in national foreign tourism. The Ministry of Culture and Tourism is a body responsible for national tourist activity. The main tasks for the Ministry of Culture and Tourism are the following:

- assign a status “Cultural and tourism preservation of national achievement and regional development of recreational territories”, “National tourism centers”, “historical” and “natural” locations with means of protection and preservation;
- creating of tourism infrastructure and services including annual programs;
- implementation of necessary means in tourism regional centers of the country;
- promotion of national tourism product for attraction of foreign tourists;
- scientific investigations and practical measures to develop tourism;
- development of competences of personnel in tourism industry;
- cooperation with government institutions, local administrations, professional associations, communities and nongovernmental companies [9].

Positive development of international tourism can be examined on the base of the experience of China. After reforms, made during many years, China became active at international tourism market. Nowadays, this type of tourism plays an important role in national economy of China increasing economic growth of the country. Tourism consumption in general volume of demand especially in its residents’ consumption takes a leading position. In China, exceeded the indication of 2000 in 3 times, in 2018, income from tourism was \$44.4 billion [10].

China National Tourism Administration (CNTA) is a governmental institution responsible for tourism activity that plays a considerable role in regulation of tourism in China. CNTA cooperates with different tourism associations (China Tourism Association, China Travel Association etc), and manages 18 offices in 14 countries. Local

regulation of tourism activity is made by special subdivisions CNTA (tourism agencies) located in each province and city in China [11].

CNTA solves the following tasks of modern tourism development:

- planning, investigation, development and protection of tourism resources and recreation territories owing to cooperation with international organizations;
- planning and coordination of international tourism industry as a direction of primary importance for national policy;
- international presentation of modern tourism direction in world countries;
- preferential development of tourism directions: Hong Kong (China), Macau and Taipei (Taiwan);
- implementation of international tourism market development strategies according to laws and regulations;
- organizing and realization of study programs, tourism courses in specialized educational establishments of the country;
- development of incoming and domestic tourism.

Nowadays, owing to integration processes and Europeanization the interest in castles in countries of Community of Independent States increases, among which is Ukraine and its western region, where objects of castle tourism are saved the best.

In Europe, there is a quite standard technology of the use of past military objects for tourism. We can distinguish some principal directions of such activity, which includes processes starting from restoration of a castle to arrangement of tourism services. The samples of such use can be observed on the territory of the western region of Ukraine:

- restoration and preservation of objects of architectural heritage;
- using for recreation;
- setting up shops with souvenirs, books, booklets and tying products;
- cafes, restaurants and public catering establishments;
- hotels, camping, car parks and transport infrastructure;
- arrangement of conferences, meetings and business and cultural contacts;
- work of scientific and methodological centers, universities and achieves;
- information support of tourism center, booklets, catalogs, brochures, books, periodicals, the press and TV;
- organization of festivals, tournaments etc.

Such complex measures give the possibility for the Western region

to improve assessments for eight components of competitiveness among twelve. There is a possibility of increase of points according to components of the level of financial development and effectiveness of production market. Besides, such growth supports one component of effectiveness of financial market to be at a good level in the world.

To increase financial and economic effect, the following measures should be taken for improvement of regional service:

- improvement of quality of roads because western regions receive low assessments according to a component of infrastructure, it is the 22nd place in Ukraine and the 88th place in the world [6];

- implementation of competitive innovative technologies to support business development;

- support of stability of national regional policy;

- support of stability of taxation policy (taxation is the most problematic factor for business, it has 9 points according to interrogation [6];

- implementation of management and marketing methods at resorts;

- creating an association of resorts to have an information base and reduction of personnel in administrative ministries and so called sick leave certificates, which regulate resorts activity;

- arrangement of system advertisement company of tourism regions of dominating centers;

- support of a constant regional customs policy etc.

Therefore, to solve all stated above problems, an effective management system should be formed to save renewal of tourism resources. Besides, it should be taken into consideration the use of foreign experience in the given activity. The full range and structuring of monuments should be made at a national level. That is to develop a mechanism of their accounting and control possessing such rich tourism potential in case of their renewal, preservation and rational use, and Ukraine will have a strong base for building active strategy of tourism industry development that promote our country to ten of leaders among other tourism countries.

Investigation of leading tourism countries-leaders, their experience in organization of national policy of tourism industry gives the possibility to affirm the next fact. An optimal mechanism of international tourism development in Ukraine is support policy of a constant development implementing effective measures of public regulation on the base of the development and using the only target program of tourism development, which should be balanced according

to factors of tourist flows and resources possibilities of Ukraine.

The main directions of macroeconomic strategy of entry foreign markets of tourism industry for Ukraine are the following:

- support of quality conformance of travel services with international standards making the full inventory of objects of tourism infrastructure;
 - support of active development of international passenger traffic using the net of international transport corridors;
 - stimulation of international franchising, tourism logistic system, essential changes of the system of preparation of the personnel etc;
 - creation of national tourism using advertisements and information net;
 - stimulation of the full use of national tourism resources and advantages of location by national companies using public cadastre of tourism resources of Ukraine and its regions;
- use of traditional resources in recreation and entertaining segments of foreign tourism markets of Crimea, Black Sea, Pryazovia, Carpathian regions and Kyiv, Lviv, and new resources of green and ecological tourism.

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**DEVELOPMENT
AND SECURITY
AGROSECTOR OF
UKRAINE IN THE
CONDITIONS OF
GLOBALIZATION
CHALLENGES**

Agrarian sector of Ukraine is a complex socio-economic system, the formation and development of which in the process of market transformation is under institutional influences. Mostly these effects were not the result of advanced scientific research and conscious actions and the result of random and unsystematic decisions of their governing bodies commit as their mercantile business or lobbying interests. In countries with developed economies the agricultural sector as the system evolved through evolution. Therefore, it is a product of market-wide system, where the interests of stakeholders sufficiently balanced and harmonious as consistent over time. In Ukraine today instead formed an economic system is the result of transformation by nature of the process, where balance and harmony as qualitative characteristics of the system at an early stage. In this regard, institutional, organizational and legal framework infrastructure agricultural sector as part of the economic system of the whole country is still imperfect design and lack of effectiveness of action, which creates problems of all infrastructures and

distorts its impact on the agricultural impact areas in general. Architectonics infrastructure significantly affects the level of transaction costs throughout the economic system, which was formed in agriculture that must be considered in the justification of development strategy the latter. It outlines the content of the complex scientific and economic problem which needs deep theoretical and applied research (Ostrom, 2012).

In national agricultural science today almost no deep research the process of forming institutions and institutions covering agricultural infrastructure areas. Typically, research here limited analysis of issues place in some markets (commodity, financial, consumer), and their infrastructure is seen as a separate element of these markets. There is no approach in which infrastructure is perceived as an integrated whole shell socio-economic system, covering agricultural sector as a whole, including its social manifestations (Pavlov, 2012).

It is necessary to investigate the methodological aspects of formation of infrastructure of agrarian sector of Ukraine, justifying the feasibility of institutional approach and its organic combination with the basic principles architectonics as the scientific method, which will able to justify creation of a rational construction of infrastructure of agrarian sphere as a whole on the basis of structuring, communication and interdependence of elements.

A few publications on the above topic can not play a full and sufficient an objective picture of current scientific knowledge about the problem because it is predetermined writing (Kostyrko, 2014).

To clear outline of the object of scientific study to determine the content of individual concepts particular to specify understanding concepts –“agrarian field” and “infrastruktura” and their mutual consistency. Without going into the debate on the content, as part of our agricultural research sector is seen as comprehensive concept that incorporates all processes of human activity in rural areas – as agro-industrial and social, across the breadth of its manifestation. In the context of this concept is the primary agriculture economy, which expanded by servicing and processing industries to the agricultural sector, which together with the social infrastructure of the village terrain forms agricultural sector. This approach is logically justified V.I. Kurylo (Kurylo, 2014), and we accepted it as a basis for.

The study challenges architectonics infrastructure agricultural sector of the country. Of the concept of infrastructure, for research purposes interpret its meaning as a whole set of institutions and institutions that

form the perfect structure, which provides operating conditions of all of the economic relations within the agricultural sector and outside it, creating a level of transaction costs within the economic system, in which economic mechanism operates effectively.

In some publications we covered problems of market infrastructure in the agricultural sector, but remained questions that are not managed to find (Berezivskyj, 2011, Ostashko, 2004). For example, pressing practical problem is not market dominance manufacturer's agricultural products, as intermediaries, whose incomes are unreasonably high.

A notable event was the publication of research in Ukraine a number of fundamental works, including collective monograph, with attribution the team of scientists of the Institute of Economics and Forecasting of NASU, who started a new scientific direction – institutional architecture (Grytsenko, 2004).

Architectonics (from the greek. Ἀρχιτεκτονική (τέχνη) – construction) – concept used to construct expression patterns inherent konyatruktyvniy system building; is the basic principle of building designs as a whole, integral relationship of its main parts composition. In a broader sense architectoni basic principle of structuring, communication and interdependence elements. In economic theory architectonics combines deep institutional knowledge structures, skills building and general construction plan for an integrated system of institutions that form the new framework (architecture / architecture) socio-economic systems and policies, particularly in agriculture. Analysis of market reforms in State clearly indicates failure namely institutional approaches to solving urgent theoretical and practical issues. In this new research directly and in its methodological basis necessary to investigate and solve a number of theoretical and practical problems that occur in the formation and operation of the infrastructure as a separate component of the overall socio-economic system of agrarian sector.

Methodological basis of research based on the integrated use of the main provisions of institutional theory that used as a scientific environment where laws architectonics employed as a method of designing an economic system with elements which, harmonious and balanced combined, create an effective design. Quality settings allow this design to achieve a better and more just distribution of the social product through equal effects that they are separate elements of infrastructure and institutions agrarian sphere.

Basic laws of architectonics (the law of equilibrium, the law and the

law of the golden mean structuring) are all integral system of natural, technological, biological, and social.

The essence of the law of equilibrium, in particular, is because all elements of an integrated system moving toward peace or regarding other elements are in this state. It means all elements of infrastructure of agrarian sphere should be changed and improved so as to zoom the entire system to the point of equilibrium for which it will function effectively, ensuring consistency of economic the interests of all the elements that constitute it.

The law provides a middle ground and space quantitative description Infrastructure agrarian sphere through the interaction of its uniform elements as integrated systems that are in constant motion and integrated action of all items in a characteristic, which reproduces the integrity of the system relative to other systems through some average. This law allows you to assess, for example, the average return (yield) individual segments of infrastructure and track its changes in space and time, which is important for analyzing the effectiveness of institutional changes in agrarian sphere. The law describes the relationship structuring elements that have internal factors of and able to unite in some holistic education and structured in within the broader integrity, which is also important in the study areas of infrastructure development agricultural sector and registration process of institutional change.

Investigation of the formation and operation of infrastructure of agrarian sphere, considered as an integral part (element) of all the socio-economic system of the state, from the standpoint of institutional theory combined with approaches based on laws architectonics enables deeper insight into the nature and character of the process and create new criteria for its course.

It is necessary to note that there are several serious problems in the agricultural sector of Ukraine related to agricultural enterprises' foreign economic activity, in particular:

- unstable dynamics of export and import operations, the disbalance between the supply and the structure of general volume of exports and imports;
- the use of outdated technologies by agricultural producers, which cause low economic efficiency of agricultural production;
- dominance of goods with low level of processing in the structure of exports, inadequacy of foreign trade policy in production and realization of high-technology products;
- non-effective state support for agricultural production, which

requires further intensification of regulatory instruments;

- low production competitiveness and its inadequacy to international standards on quality and safety;

- insufficient investment attraction of the sector and country overall (Sheleheda et al., 2014).

It is precisely in this economic and social context that the modern problems of economic development must be considered. The fundamental issue can be stated succinctly. Successful development policy entails an understanding of the dynamics of economic change if the policies pursued are to have the desired consequences. And a dynamic model of economic change entails as an integral part of that model analysis of the polity since it is the polity that specifies and enforces the formal rules. We are still some distance from having such a model but the structure that is evolving in the new institutional economics, even though incomplete, suggests radically different development policies than those of either traditional development economists or orthodox neo-classical economists. Development economists have typically treated the state as either exogenous or as a benign actor in the development process. Neo-classical economists have implicitly assumed that institutions (economic as well as political) don't matter and that the static analysis embodied in allocative-efficiency models should be the guide to policy; that is "getting the prices right" by eliminating exchange and price controls. In fact the state can never be treated as an exogenous actor in development policy and getting the prices right only has the desired consequences when you already have in place a set of property rights and enforcement that will then produce the competitive market conditions. Before going further it is essential to distinguish clearly institutions from organizations. Institutions are the rules of the game of a society or more formally are the humanly-devised constraints that structure human interaction. They are composed of formal rules (statute law, common law, regulations), informal constraints (conventions, norms of behavior, and self imposed codes of conduct), and the enforcement characteristics of both.

Organizations are the players: groups of individuals bound by a common purpose to achieve objectives. They include:

- political bodies (political parties, the senate, a city council, a regulatory agency);

- economic bodies (firms, trade unions, family farms, cooperatives);

- social bodies (churches, clubs, athletic associations);

➤ educational bodies (schools, colleges, vocational training centers).

These definitions undergird five propositions that define the essential characteristics of institutional change:

1. The continuous interaction of institutions and organizations in the economic setting of scarcity and hence competition is the key to institutional change.

2. Competition forces organizations to continually invest in skills and knowledge to survive. The kinds of skills and knowledge individuals and their organizations acquire will shape evolving perceptions about opportunities and hence choices that will incrementally alter institutions.

3. The institutional framework dictates the kinds of skills and knowledge perceived to have the maximum pay-off.

4. Perceptions are derived from the mental constructs of the players.

5. The economies of scope, complementarities, and network externalities of an institutional matrix make institutional change overwhelmingly incremental and path dependent.

It is one thing to describe the characteristics of economic change; it is something else to prescribe the correct medicine to improve the performance of economies. We simply don't know how to transform ailing economies into successful ones but some fundamental characteristics of institutions suggest some clues.

1. Institutions are made up of formal rules, informal norms and the enforcement characteristics of both and it is the admixture of rules, norms, and enforcement characteristics that determines economic performance. While the formal rules can be changed overnight, the informal norms change only gradually. Since it is the norms that provide the essential "legitimacy" to any set of formal rules, revolutionary change is never as revolutionary as its supporter's desire and performance will be different than anticipated. More than that society that adopt the formal rules of another society (such as Latin American countries' adoption of constitutions like that of the United States) will have very different performance characteristics than the original country because both the informal norms and the enforcement characteristics will be different. The implication is that transferring the formal political and economic rules of successful western market economies to third world and eastern European economies is not a sufficient condition for good economic performance. Privatization is not a panacea for solving poor economic performance.

2. It is politics that shape economic performance because they define

and enforce the economic rules of the game. Therefore the heart of development policy must be the creation of polities that will create and enforce efficient property rights. Unfortunately, however, research in the new political economy (the new institutional economics applied to polities) has been largely focused on the United States and other developed countries. While we know a lot about the characteristics of the polities of third world countries we have very little theory about such polities. We know even less about the consequences of radically altering the institutional framework of central and eastern European societies.

However, the characteristics of institutions described in the foregoing sections of this paper suggest some implications:

➤ Political institutions will be stable only if they are supported by organizations with an interest in their perpetuation. Therefore an essential part of political/economic reform is the creation of such organizations.

➤ It is essential to change both the institutions and the belief systems for successful reform since it is the mental models of the actors that will shape choices.

➤ Evolving norms of behavior that will support and legitimize new rules is a lengthy process and in the absence of such reinforcing norms polities will tend to be unstable.

➤ While economic growth can occur in the short run with autocratic regimes, long run economic growth entails the development of the rule of law and the protection of civil and political freedoms.

➤ Informal constraints-norms of behavior, conventions, and codes of conduct-are a necessary (but not sufficient) condition for good economic performance. Societies with norms favorable to economic growth can sometimes prosper even with unstable or adverse political rules. The key is the degree to which there is enforcement of the adverse political rules. We know very little about the evolution of belief systems and consequent informal constraints although religions have clearly been a basic component of belief systems.

3. It is adaptive rather than allocative efficiency which should be the guide to policy. Allocative efficiency is a static concept with a given set of institutions; the key to continuing good economic performance is a flexible institutional matrix that will adjust in the context of evolving technological and demographic changes as well as shocks to the system. It is the creation of a stable polity with complementary norms that is the essential characteristic. Successful political/economic systems have evolved such characteristics over long periods of time. We know very

little about how to create such systems in the short run or indeed, whether it is even possible to create them in short periods of time. However it is doubtful if the policies that will produce allocative efficiency are always the proper medicine for ailing economies. Efficient policies that are perceived to be inequitable will engender political reactions which can stall or reverse effective reforms. There is no greater challenge facing today's social scientist than the development of a dynamic theory of social change that will fill in many of the gaps in the foregoing analysis and give us an understanding of adaptive efficiency.

As follows from the above-mentioned, the essence of the systematic approach to the interpretation of the sustainability of the agrarian sector is the balanced combination of productive, economic, social, environmental, intellectual and globalization processes. With the use of the system approach and based on the revealed intrinsic features of the investigated category, the sustainability of the agrarian sector development is considered as a dynamic process of transition of the system to a new qualitative innovation level aimed at providing economically sound, environmentally safe, socially oriented extended reproduction in order to raise the level and improve the quality of life of rural population under the influence of factors of the internal and external environment. Based on the analysis of existing approaches to the essence of the sustainability of agrarian development, it can be defined as one of the goals of economic development of the country. Its achievement is possible on its own reproductive basis, which is determined by the presence of significant natural resources that are sufficient for production in the required amount of all major types of food products, as well as the huge potential accumulated over the years by the agrarian sector. At the same time, in a market environment and a systemic crisis the problem is exacerbated by the influence of various internal and external factors, what necessitates its research. Effective ways to improve the conditions of agrarian business in Ukraine is transparency and easing regulatory policy. In particular, it concerns: reducing the number of licensing procedures, the number and type of licensed activity, technical regulations, the formation of the corporate rights in the agricultural sector, barring unforeseen laws and administrative procedures in the running of business, development of mechanisms of self-regulation, simplifying procedures for inspections, legal regulation the activities of family farms, etc. The development of priority directions for ensuring the sustainability of the agrarian sector

development has necessitated the use of a systematic approach to the analysis of problem situations in the agrarian sector, which allowed to formulate criteria that expresses the target quality benchmarks (industrial, social, economic and innovative) for the development of the agrarian sector and indicators that characterize the quantitative measure of approaching these landmarks.

The infrastructure of agrarian sphere as an object of research is complex, comprehensive and systemic entity that is in a state of development through constant change and improvement. During these changes architectonic infrastructure developing and improving the laws, are not known fully. Insufficient understanding of these laws not only due to the lack of deep scientific analysis of the process of formation and development of infrastructure, and proper scientific substantiation methodology of the process of learning it as an object.

The study of this process from the standpoint of institutional theory combined with approaches based on the laws of architectonics let you discover new aspects of infrastructure as part of the entire socio-economic system that realizes its functions in agriculture and significant impact on the efficiency of the system. Therefore scientific research in this area is important both from positions of economic theory and application considerations.

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Chapter 6

DECENTRALIZATION AND THE FORMATION OF SUSTAINABLE SOCIO- ECONOMIC DEVELOPMENT OF THE REGIONS

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EFFICIENCY OF ACTIVITY OF TERRITORIAL COMMUNITIES OF UKRAINE

The modern state administration of Ukraine has many complex problems, the effective instrument of which is the decentralization of the state and granting financial autonomy to the regions and local communities. The purpose of decentralization is to bring the authorities closer to the residents and the residents to the authorities to increase the accessibility and quality of educational, medical, cultural, administrative, and communal and social services.

Territorial communities have to be considered as a socio-economic system, for which there is a characteristic complex interaction of elements that are located on a large territory and require significant costs of resources and time for their development.

The legal status of the territorial community is a system, entitled in the legal acts and international acts, the rights and responsibilities of the territorial community, which determine its legal position in society and the state.

The constitutional-legal criterion defines the place and role of the territorial community in the system of local self-government and organization of public voice. In general, the territorial community in the legal scientific literature is understood as the association of residents of a certain territory with a view to realization, satisfaction of common interests (Baranovska, 2015a).

The sociological criterion for defining the notion of a territorial community allows revealing the essential aspect of this notion as a special integral social community, to explore the effect of local interests that not only integrate the territorial community but also act as its product. Application of this criterion enables to establish a system of interests, social relations and connection in the territorial community.

According to the territorial criterion, the definition of the essence of the territorial community is associated with the use of such a feature as the permanent residence of people in the territory of the settlement. In particular, in the constitutional and legal literature, the territorial community is defined as the main subject of local self-government, which consists of villagers (several villages), towns, cities, local communities – the population of a municipality, the united purpose of implementing local self-government in the respective settlement or on a certain territory (Bodrova, 2004).

This criterion is also used in the paragraph two of part one of Article 1 of the Law of Ukraine “On Local Self-Government in Ukraine”, where the territorial community is defined as inhabitants, united by permanent residence within the limits of a village, settlement, city, which are independent administrative-territorial units, or a voluntary association of inhabitants of several villages having the only administrative center (Verkhovna Rada of Ukraine, 1997).

Consequently, the territorial community is a social community, united on the basis of the common interests and needs of the population included in it, the system of relations and connections between these people. The most important system-forming features of such a community are sustained economic, social, informational, political, cultural and environmental ties and relations that distinguish it as a rather independent system of spatial organization of people’s livelihoods (Baranovska, 2015b).

For Ukraine one of the most important areas of regional policy is the cooperation of territorial communities. The concept of the reform of local self-government and the territorial organization of authority, which regulates decentralization, similar to the EU member states, was adopted

in 2014, but local communities are only beginning to understand new perspectives and actively sign agreements on cooperation on various issues.

In the field of cooperation with the community, Ukraine is implementing its own model, which is, in fact, an integrated experience of many countries. In Europe, such a format of cooperation is an active motive for decentralization. Ukrainian lawmakers especially noted the experience of Germany and Spain, where contractual relations envisaged a significant influence of the center and thus ensured the balance of interests of all communities. The process of inter-municipal cooperation in Poland, Portugal and Macedonia was also taken into account (Blogactiv, 2018).

In Ukraine, territorial communities represent the primary main subject of local self-government. The development of each separate territorial community, on the one hand, affects the development of specific local authorities, and, on the other hand, the development of local self-government throughout the country (Misskyi, 2015).

The establishment of territorial communities takes place in accordance with the Law “On Voluntary Association of Territorial Communities” (hereinafter – the Law) and a number of other legislative and regulatory acts. The purpose of the Law of Ukraine “On voluntary association of territorial communities” was the introduction of the procedure for the territorial communities association of villages, settlements, cities, and the provision of state support to TC, as well as the creation of legal conditions and opportunities for: consolidation through the voluntary association of territorial communities, its role in solving local issues; the formation of capable territorial communities whose main task is to improve the provision of citizens’ needs, render them with timely and qualitative basic social and administrative services, improve conditions for sustainable development of the respective territories, and more efficient use of budget funds and other resources; creation of preconditions for local self-government bodies system improvement on the appropriate territorial basis. The dynamics of TC creation in Ukraine is presented in Figure 6.1.

The Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine, taken the results of 2018, analyzed the activity of condominiums on the basis of four indicators:

- own income per capita (the ratio of the amount of own income receipts to the number of residents of the corresponding TC);
- the dynamics of revenues from local taxes and fees in 2018

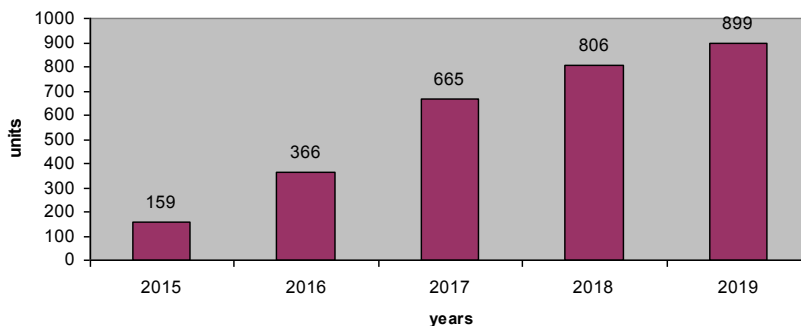


Figure 6.1 Dynamics of the of territorial communities establishment in Ukraine in 2015-2019, units

Source: decentralization

compared with 2017;

the level of subsidy budgets (the ratio of the amount of the base or reverse grant to the total amount of TC incomes without taking into account subventions from the state budget);

the share of expenditures on the management apparatus maintenance in the financial resources of the TC (the share of expenditures on the maintenance of the apparatus of local self-government in the amount of the general fund's own income) (Decentralization, 2018a, Decentralization, 2018b).

The analysis showed that small TCs in terms of the territory and amount of population have mostly low financial autonomy. Moreover, such communities do not have sufficient labor potential for their development and quality management. The exception is individual communities where there are budget-setting enterprises and powerful enterprises of the real sector of the economy.

The first places in the ranking of TC capacity of Ukraine are occupied by Zhytomyr, Chernihiv and Zaporizhia oblasts. The regions with the lowest rating of TC's capabilities include Transcarpathia, Vinnytsia and Kirovohrad oblasts.

The state support plays an important role in the territorial development of communities in Ukraine. This is the provision of subventions to local budgets, the transfer of state-owned communal properties, organizational and information provision in the regions. Figure 6.2 below reflects the structure of state financing of Ukraine in 2018.

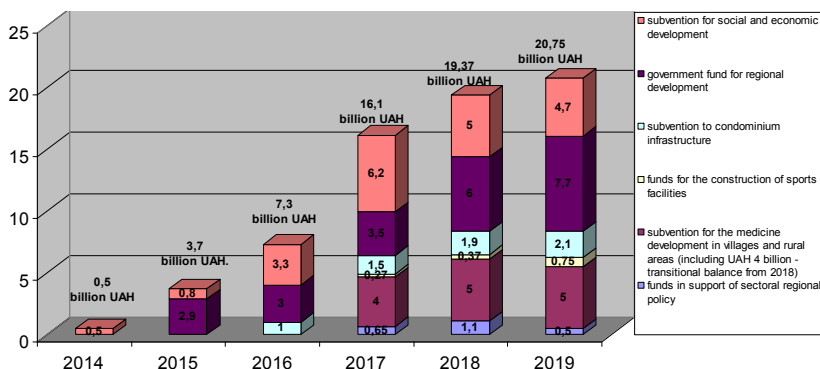


Figure 6.2 The structure of state support for TC in 2014-2019, billion UAH

Source: decentralization

In 2018, state support for local and regional development amounted to UAH 20.75 billion, which is 41.5 times more than the allocated funding in 2014. The subvention is a significant support of the state. In 2018, 7.7 billion UAH were allocated from the state budget for development and infrastructure (State Fund for Regional Development); UAH 4.7 billion was Subvention for socio-economic development of territories; 5.0 billion hryvnias was Subvention for the development of medicine in rural areas. In addition, in 2019, the subvention for the construction, reconstruction, repair and maintenance of public roads of local significance in the amount of 14.7 billion UAH is foreseen (Decentralization, 2018b).

These funds and funds of local budgets were invested in implementation of about six thousand projects approved by the Government, and a significant number of other local projects and programs that were realized by 523 local governments that received funds in the form of subventions for socio-economic development of the territories, as well as measures have been taken on the socio-economic development of certain territories.

In 2019, for the development of TC infrastructure 2.1 billion UAH were provided. This money is distributed among the budgets of the united territorial communities in proportion to the size of the united territorial community and the number of rural population in such a community. That is, the more rural areas the community unites, the more funds it has received from the state budget for infrastructure development.

In Ukraine, the state provides local self-government with financial support for the territories development. One of the main instruments for the state regional policy implementation is the State Fund for Regional Development (DFRD). The funds of the DFRD are directed to implementation of investment programs and regional development projects that are in line with the priorities defined in the State Strategy for Regional Development, regional development strategies and plans for their implementation (Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine, 2016).

In 2018, the DFRR allocated 134.1 million UAH on the condominium development, which are respectively allocated for the implementation of 69 projects in Ukraine mainly in the field of education (60.9%), water supply (12.7%), and health care (8.8%) (Fig. 6.3).

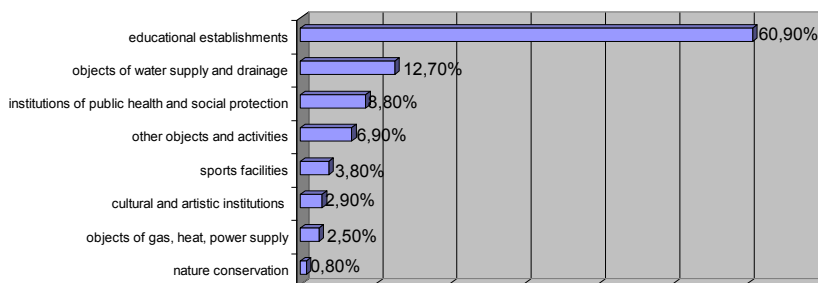


Figure 6.3 Structure of state support of the DFRP in 2018, %

Source: decentralization

Public funding has to adequately meet the market situation and the financial specificity of civil society. The subsidy budgets of newly created TCs show the real amount of budgets of newly created TCs. Only 22% of TC (34) does not have a subsidized budget. Among subsidy budgets (125) 40% of TC (50) have a percentage of subsidization from 0.5% to 20%, another 40% (50) have a percentage of subsidies of 20% to 50%, and 20% of TC (25) have a percentage subsidy.

The main issues of Ukrainian communities in ensuring their sustainability are the problems of financing social objects, housing and communal services, local development projects, and the maintenance of local self-government bodies.

The international and European programs of international technical and financial assistance in the framework of reforms in Ukraine are

playing an important role in increasing the financial capacity of TC (Table 6.1).

Table 6.1

Projects of international technical and financial assistance in Ukraine

Title of program / project	Amount of investment	Start date	Completion date
DESPRO Project	9.3 million CHF	24.12.2007	24.06.2020
Expert Deployment for Governance and Economic Growth (EDGE)	18.8 million CAD	10.11.2014	31.07.2019
Partnership for Urban Development (PROMIS / PLEDDG)	19.5 million CAD	27.03.2015	30.06.2021
The Policy for Ukraine Local Self-Governance (PULSE)	8.2 million USD	14.12.2015	13.12.2020
U-LEAD program	102 million EUR	01.01.2016	30.06.2020
DOBRE program	50 million USD	08.06.2016	07.06.2021
Council of Europe Program “Decentralization and Local Self-Government Reform in Ukraine”	1.8 million EUR	01.03.2018	30.06.2020

The availability of sufficient financial resources in local budgets is a guarantee that the territorial community has the opportunity to develop local initiatives and programs, implement social and infrastructure projects, create conditions for entrepreneurship development and attracting investment capital.

Increasing financial resources allows local governments to implement local development strategies more independently, significantly improve the infrastructure and well-being of settlements. Territorial communities are empowered with additional authority and appropriate financial resources. However, the following steps have to be taken on the way to fiscal decentralization:

increase the efficiency of local taxes and fees: simplify the administration of the real estate tax without establishing privileges, restore the transport tax;

to approve state social standards and norms for each local self-government authority delegated by a state (Orlova, 2017).

Sustainable development of a territorial community is a functioning mode that is focused on the positive dynamics of the population well-being parameters, secured by a stable, balanced reproduction of social, industrial, financial, resource and environmental potentials. Ensuring the stability of the territorial community includes: stabilizing the economy as a starting point for the transition to bringing it into a stable equilibrium; long-term dynamic equilibrium of the system at the expense of equilibrium dependence achievement between incomes and expenses; sustainable development over the long term based on the interaction of economic, environmental and social elements (Orlova, Kozyrieva, 2019).

In order to solve the already existing development issues and activity of territorial communities in Ukraine and to prevent the emergence of new ones, it is necessary to increase the policy of reforming territorial communities' effectiveness: legislative and regulatory support, organizational support, and economic security. In order to ensure the irreversible transition to sustainable development, it is necessary to ensure the government actions coordination at the state, regional and local levels, as well as the active participation of scientific, educational, industrial, financial, political and other structures.

The main directions of increasing the policy effectiveness of reforming territorial communities of economic nature are: determining the mechanism for transferring communal property of state-owned lands located outside settlements, creating open registers of communal property of territorial communities, attracting funds from international partners and non-governmental organizations to support reform, etc.

The implementation of these directions will enable investors to be involved in the attractive investment projects implementation, which will ensure the territory economic development, the effective use of available resources in the community and the accumulation of funds to solve the socio-economic issues at the regional and national levels.

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**INFLUENCE OF
DECENTRALIZATION
PROCESSES IN
UKRAINE ON THE
ORGANIZATIONAL
STRUCTURE OF THE
ENTERPRISE**

In the current conditions of economic instability and active introduction of new technologies of particular importance becomes the problem of adaptation of the enterprise to changing conditions of operation, which necessitates the need to ensure a high speed of response of the management of the organization to the corresponding changes in the external environment. That is why the decentralization of

the basic economic and managerial processes contributes to the increase of flexibility of the organization, speed and quality of decision-making, and therefore efficiency of economic activity of the enterprise.

Research on the issues related to the implementation of the decentralization of production processes of the enterprise is an integral part of ensuring the economic and managerial efficiency of economic activity of the enterprise. In addition, the necessity of reviewing the impact of decentralization processes is conditioned by the adoption by the Cabinet of Ministers of Ukraine of the “Concept of reforming local self-government and territorial organization of government in Ukraine” of 01.04.2014 [1], according to which decentralization of public administration is carried out. Accordingly, determining the nature of the impact of decentralization processes and finding ways to implement the necessary changes in the organizational structure of enterprise management is timely and relevant.

Problems of construction, evaluation of efficiency, transformation and decentralization of organizational structures of enterprise management were considered in the works of such specialists as Gerasenko V.P., Gladka. T.I., Kasich A.O., Kralya V.G., Prikhodko V.V. etc.

However, these studies do not pay much attention to the use of innovative information technologies as an important component of the decentralization of economic and organizational processes. However, the practice of recent years proves the utmost importance of digitalization of production processes for domestic enterprises, which necessitates the consideration of problems of transformation of organizational management structures in accordance with current conditions of economic, financial and production activity.

Decentralization is the process of transferring powers and budgets for their implementation from state governments to local governments in order to satisfy the interests of residents and improve the quality of public services [2].

For Ukraine, decentralization is an important issue in several aspects:

- first, it is important for the country to ensure sustainable development, and as foreign experience shows, decentralization through a number of related mechanisms in the long run has a positive impact on economic dynamics;

- secondly, the urgent need to balance the economic development of individual regions and move the available financial resources to the lower levels to intensify business activity;

– thirdly, the system of public administration remains unreformed, which must be transformed not only by delegation of powers, but by real reform, increase of efficiency of activity and development of local self-government [3].

Consequently, the implementation of the relevant reform will lead to significant changes in the conditions of functioning of enterprises and the need to restructure their internal processes.

A process is a set of actions aimed at transforming an organization's resources into predefined results that act as products (services). Therefore, an examination of the organization as a system shows that each enterprise is a set of processes, the failure of which may indicate existing deficiencies in the functioning of the enterprise.

According to the role in the creation of new values, all production processes are divided into three groups:

– primary (basic) – includes all types of work directly related to the production of products or services and is the basis of the operation of any enterprise;

– secondary (providing) – ensure the continuity and economy of the main processes of the enterprise;

– management (infrastructure) – involves defining the goals and means of achieving them for the first two groups of processes, they form the conditions and involve the factors necessary to achieve the goals of the enterprise.

The main processes related to the production and marketing of products (services) can be summarized in more detail:

– internal or pre-production logistics – is the receipt, storage and distribution of means of production, including the receipt of materials, inventory control, in-plant transport, as well as inventory management; production or technological operations to transform the inputs into final products, including work on the equipment, assembly, quality control, packaging, maintenance of equipment;

– post-production logistics – storage and distribution of created products, including their placement in warehouses, processing orders and delivery of goods to consumers;

– after-sales service – marketing, storage and enhancement of the consumer value of the goods, including operations to study customer needs, product formation, pricing, promotion and exchange, work on maintenance, repair, supply of spare parts, preparation of customers and replacement of goods in accordance with the requests received.

The management process for an organization is a set of management

actions that are logically linked to one another and are carried out in order to achieve the goals set by transforming the enterprise resources into relevant products or services as a result of the operation of this system.

In the conditions of considerable complication of production and information processes, increase in the number and degree of economic independence of the entities that belong to the organization, their territorial distribution, rapid change in the situation and an increase in the geometric progression of the number of decisions made the need to decentralize the management process. This allows, first, to accelerate the decision-making process by engaging direct executors; secondly, to increase the degree of conformity of the made decisions to the existing conditions of functioning of the enterprise; third, to refuse detailed instructions from the center, thereby reducing its overload with minor problems and reducing information flows. At the same time, it is necessary to define criteria and evaluate the existing structure in order to make a decision on the restructuring of the management structure.

According to Kopytova I.V. [4], the criteria for evaluating the rationality of the organizational structure are: compliance of the object of the performed management work of the number of performers; focusing on each level of management (link) of objectively necessary functions and rights for their realization; lack of parallelism and duplication of functions; optimal combination of centralization and decentralization of functions, rights, responsibilities of performers; observance of standards of management, that is, the number of executors, which belongs to one manager of their activity; degree of reliability, efficiency, flexibility, adaptability, economy, efficiency of production and management, independence and responsibility of executors for the results of their own work.

The factors by which the degree of management decentralization can be determined include:

- willingness to embrace new ideas;
- willingness to pass decisions of minor issues to the representatives of the lower level of management;
- willingness to trust representatives of the lower level of management;
- the desire to exercise only general control.

If the existing management structure is found to be ineffective, the transformation to a more decentralized structure is necessary to manage the decentralized production processes.

A decentralized organization involves the transfer or delegation of responsibility for a number of key decisions to lower levels of government [5]. Increasing autonomy in decentralized organizations increases the responsibility of the units for their profitability or loss, and the organization itself becomes more flexible and dynamic.

The advantages of decentralization include the following:

1) Centralized management of large organizations is complicated by the need to provide the management decision-making process with a wealth of information that affects its effectiveness.

2) Decentralization gives the right to accept the manager, who is in the organizational structure of the enterprise closest to the problem, and therefore knows it better than anyone.

3) Decentralization stimulates initiative and facilitates the perception of itself as part of the organization. Using a decentralized approach, even a large unit of the organization seems to its manager to be very small and internal processes – more clear, which allows you to fully control and feel part of this unit. Such a manager may feel the same enthusiasm in his unit as an independent entrepreneur in his entire business.

4) Decentralization facilitates the preparation of lower-level executives for senior positions, enabling them to make important decisions early in their careers. This provides an influx to the organization of talented executives because talented executives are not born but become in the process of gaining experience. In doing so, the advancement from ordinary to senior positions becomes faster and easier for more efficient managers, and therefore decentralization helps to keep aspiring and hard-working young executives in the company, developing with it. Of course, the process of training new employees can not be left unchecked, and therefore requires the organization to create their own approaches and recommendations on the possibilities of individual education, corporate and ethical education of future leaders, since each person has their own attitude to work, their concept of good and evil, the harmony of life and preferred channels of information perception [6].

In addition to the positive ones, decentralization of management processes also has a number of negative consequences that must be taken into account in practice. Thus, due to the isolation of the decision-making process and its implementation on the lower floors of the management structure, the interests of other units and organizations are generally less taken into account, since their results do not have a direct

impact on the respective manager. As a consequence, many decisions are tactical and ineffective in the long run. Due to the lack of common rules and decision-making procedures, this process is time-consuming and not always successful. In addition, decentralization can lead to managerial separatism, which can greatly harm the organization.

The transition to decentralized organizational management structures is largely related to the increased complexity and variability of the environment, the increased role of strategic and marketing functions in a highly competitive environment, and the significant spread of information technology in management. All this leads to a similar distribution of functions within the enterprise: top-level managers focus mainly on strategic tasks, while middle- and lower-level managers focus on making most current decisions. The spread of the tendency towards decentralization of administrative processes causes the transition from hierarchical (pyramidal) to flat (horizontal) organizational structures. Thus, if in the first case the control process can involve a large number of vertical levels of the structure, then in the second case, the number of control levels is reduced, but the control range expands.

Thus, the evolution of organizational governance structures has gradually evolved from hierarchical bureaucratic structures to matrix and design and in recent decades to decentralized networks and virtual organizational structures [7]. There are different types of network organizations: internal, stable and dynamic networks. Internal networks are the result of internal entrepreneurship, when the interaction between units is based on market mechanisms. Stable networks are formed in traditional industries by outsourcing some of the work. Dynamic networks are based on the principle of flexibility, whereby changes become practically permanent, and the network is instantly rebuilt in response to market changes. This structure makes the organization more adaptable and resilient in an era when large corporations are in crisis.

Virtual business structure means flexible internal and inter-organizational formation, which is created temporarily for efficient use of key material and intangible resources. There is no institutional and structural framework in this dynamic network. It aims to create the best possible conditions for clients and achieve competitive advantage in a particular market. According to experts, virtualization leads to a change in traditional perceptions of the boundaries of industries and requires a change in the rules of the market game. Virtualization includes the following components:

- virtual transparent electronic market, represented by information

and communication services of commercial purpose with free access, voluntary and equal participation of partners; it operates on a real-time, round-the-clock basis, covering the entire world, removing all possible time and space restrictions on operations;

- virtual reality as an imitation of real life and real production processes, which allows intuitively to build complex structures and gives the opportunity to mentally present tangible and intangible benefits before they are realized;

- internal and inter-organizational dynamic networks that bring together employees and partners who use flexible forms of work sharing and pooling of competencies, as well as working with databases and applying knowledge transfer.

Further development of organizational structures of management is associated primarily with the development of information technology. The members of the network organization, distributed in space, have the opportunity to interact and coordinate their activities with the help of Internet technologies. Thus, network structures, using information and communication technologies, formed the basis for the formation of virtual organizations. This type of organization allows to overcome the main problem of organizational structures – inertia.

Modern information technology is a computer technology, distinguished by the unity of hardware and specialized software. Information technologies involved in the organization of management processes must meet certain requirements (Fig. 6.4), such as:

- small cost, which must be within the reach of the individual buyer;
- operational autonomy without special requirements for environmental conditions;

- flexibility of architecture, providing adaptability to different spheres of use: in management, science, education and everyday life;

- non-aggressiveness of the operating system and other software, which makes it possible to work with computer hardware even for the user without special training;

- high reliability (more than 5,000 hours before failure).

Note that the lack of use of modern information technology in management leads to a decrease in productivity and efficiency of management staff, unacceptable delays in solving operational issues and inefficient decisions in the implementation of innovations.

Usually modern information technologies are most often used to perform the following tasks:

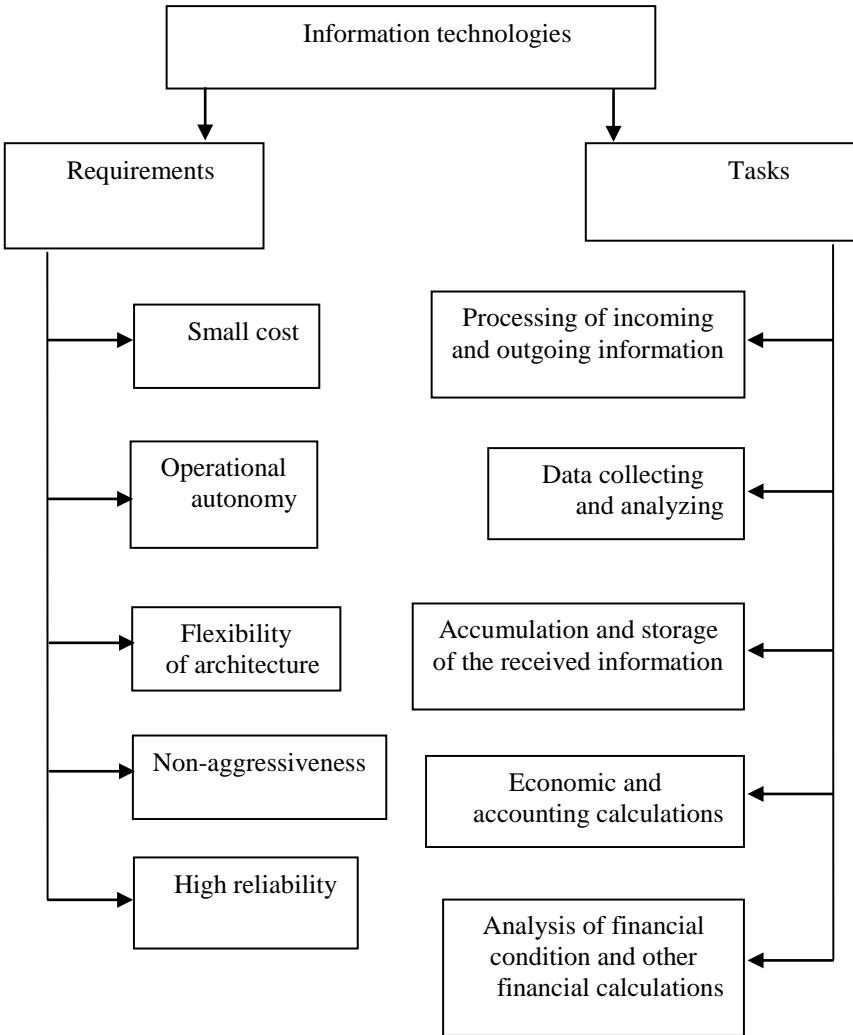


Figure 6.4 Requirements for information technologies used in management processes

- processing of incoming and outgoing information by means of text editors and presentation presentation tools (e-mail and faxes, letters and requests, advertising and other documentation);
- data collecting and analyzing, calculations that are usually

performed using spreadsheets (calculations and processing of price lists), generating reports in different directions and criteria for analysis and statistical processing of information;

- accumulation and storage of the received information, ensuring its fast search (by different criteria and characteristics) and access to it using databases management systems;

- economic and accounting calculations using accounting software;

- analysis of financial condition and other financial calculations using ancillary financial programs.

The next stage of decentralization of organizational structures after defining a new management structure is the choice of methods for its construction. The construction and improvement of the organizational structure of management is carried out on the basis of implementation of the system-target approach through the application of specific methods and their combination. At the same time, the choice of the appropriate structure and methods of its construction is determined by factors of the internal and external environment of the enterprise, which influence the economic, financial and managerial processes at the relevant stages of the life cycle of both the enterprise and the project for its transformation [8]. At present, the following methods of forming the organizational structure of management have become most widely used: the analogy method, the expert-analytical method, the method of purpose structuring and the method of organizational modeling [9].

The analogy method involves the application of those organizational forms and management mechanisms that have demonstrated the high efficiency of application in organizations with similar organizational characteristics in the project organization. However, the practical application of this method is based on two approaches. The first approach is to identify for each type of production organizations and different industries the main tendencies and changes in the basic organizational characteristics of the selected organizational forms and management mechanisms, which, based on the available information, prove their effectiveness for the relevant starting conditions of the projected organization. The second approach is to typify the basic decisions regarding the relationship between different levels of management structure and specific positions in accordance with the conditions of functioning of organizations of this type in specific industries, as well as to define for them certain regulatory characteristics of the management apparatus. The typing of solutions allows to increase the level of production management organization, aimed at

standardization and rapid implementation of the most progressive organizational forms of management. In doing so, typical organizational decisions should be, first and foremost, variant, not unambiguous, secondly, regularly reviewed and adjusted, and thirdly, to allow for certain deviations in cases where there are significant differences between the existing conditions of functioning of the organization and those conditions for which a typical form of management structure is assigned.

The expert-analytical method involves the involvement of qualified specialists, executives and other employees of the organization in order to survey, analyze the situation of the organization, identify existing features and problems in the management apparatus. Such measures result in rational recommendations for restructuring the organizational management system based on quantitative assessments of organizational structure efficiency, rational management principles, expert conclusions, as well as summarizing and analyzing current trends in management organization. However, this method can be used in combination with others (especially methods of analogies and structuring goals), has a high degree of flexibility of application and various forms of implementation. These include the implementation of diagnostic analysis of features and problems in the enterprise management system or similar organizations in order to apply the means of solving the identified problems in the created management structure. In addition, forms of implementation of this method include expert surveys of the staff of the organization in order to identify the features of the establishment and functioning of the enterprise management system and further processing of the obtained expert estimates by statistical and mathematical methods.

The method of structuring goals involves developing a system of goals for the organization, including their quantitative and qualitative definition, as well as further analysis of organizational structures in terms of their relevance to the system of goals. Using this method involves performing the following steps:

- 1) development of a system of goals of the organization, which is the basis for planning and combining all types of organizational activities in accordance with the required final results, regardless of the distribution of these activities between organizational units and program-target subsystems in the organization;

- 2) expert analysis of the proposed options for building an organizational management structure regarding the organizational

security of achieving the goals defined for each unit, adhering to the principle of their homogeneity, determining the management relations, subordination and cooperation of the respective structural units based on the relationship of their goals;

3) creation of rights and responsibility maps for the achievement of the defined goals for all units, regardless of whether they are engaged in homogeneous production processes or participate in complex cross-functional activities, which provides for the regulation of the area of responsibility, the planned results, for the achievement of which responsibility and rights are established, that are given to the unit to perform the relevant tasks (to approve and submit for approval, to approve, to confirm, to control).

The organizational modeling method is to create formalized mathematical, graphical, machine and other reflections of the distribution of authority and responsibility in the organization, which are used as a basis for further planning, formation and evaluation of various options for building organizational structures in the relationship of their variables. At the same time, there are the following main types of organizational models:

- mathematical-cybernetic models of hierarchical management structures – provide a reflection of the relationships and relationships between structural elements of the organization with the help of systems of mathematical equations and inequalities;

- graphoanalytic models of organizational systems are graphical representations of the distribution of internal relationships, functions, powers and responsibilities, providing an opportunity to analyze their nature, direction and causes, to evaluate different variants of interconnected activities in respective homogeneous units, to consider different variants of distribution powers and responsibilities between different levels of management;

- Full-scale models of organizational structures and processes provide for the evaluation of their functioning in real organizational conditions. These include: organizational experiment – conducting planned and controlled restructuring of structure and processes in real organizations; laboratory experiment – creating a controlled decision-making situation and organizational behavior similar to real conditions; management game – the implementation of practical actions by the participating employees, based on pre-established rules and providing for the assessment of the relevant short and long-term consequences;

- mathematical-statistical models of dependencies between initial

factors of organizational systems and characteristics of organizational structures. They involve the collection, analysis and processing of available data on the functioning of organizations in similar circumstances.

However, well-known models reflect only certain aspects of organizational management systems and do not cover all aspects of organizational structure formation. Limiting the scope of practical application of organizational models, the difficulty of modeling the entire diversity of organizational-structural relationships and behavior of people. Therefore, modeling is considered as an auxiliary scientific and analytical tool for finding and selecting rational solutions for the organizational structure of management. The need to adapt to the uncertainty and variability of the environment further limits the possibility of applying organizational modeling methods. Thus, in the prevailing conditions, it is preferable to use a combination of method of purpose structuring and expert-analytical.

The above approaches to improving the organization's management make it possible to identify a priority problem of practical activity in this direction – it is a flexible management structure. With all the complexity of this problem and the number of specific elements due to the specificity of the subject area, it is possible to formalize this process in the following sequence (Fig. 6.5).

Conclusion. Thus, the decentralization of economic and organizational processes contributes to the formation of a decentralized (flat) organizational structure of enterprise management, which influences the efficiency of implementation of management processes in modern conditions. However, to ensure a high level of competitiveness of the enterprise, it is necessary to regularly monitor the effectiveness of the existing management system.

Further research should be directed to a more detailed study of the impact of the use of modern information technology on the efficiency of implementation of economic and organizational processes of the enterprise in the context of decentralization, since the mismatch of the organizational structure of enterprise management to the existing conditions for conducting business activities necessitates its transformation.

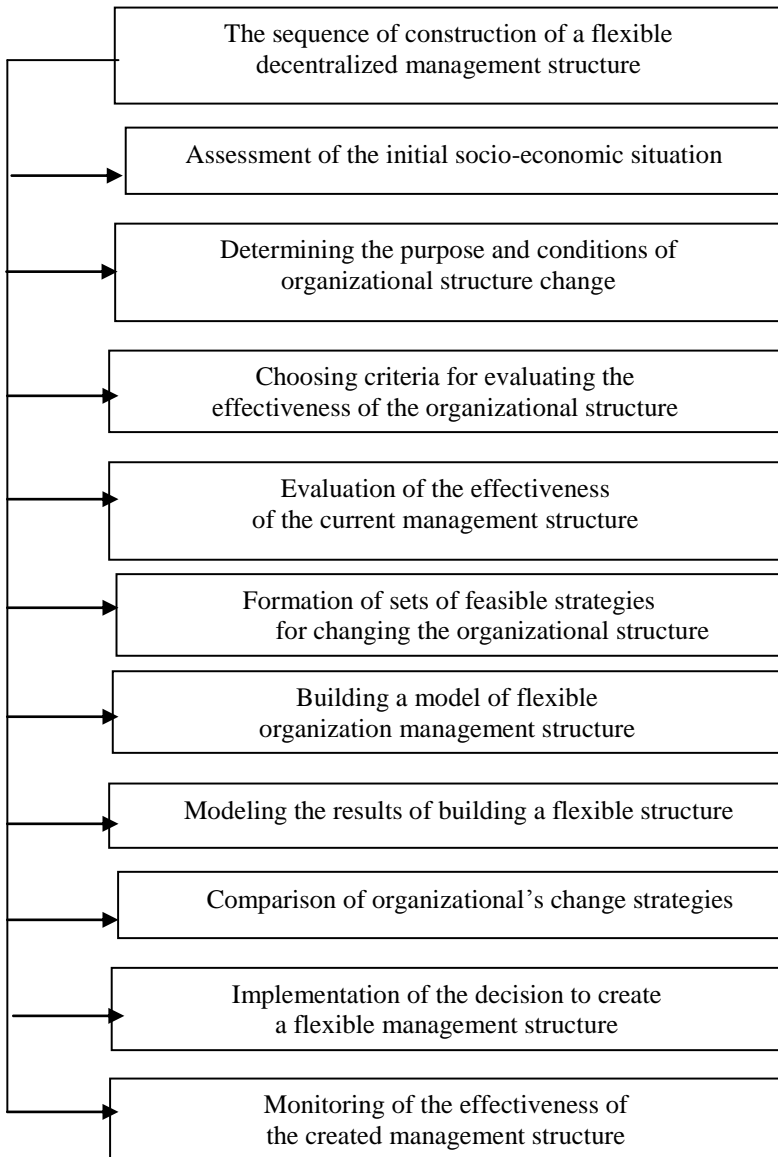


Figure 6.5 The sequence of construction of a flexible decentralized management structure

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**FINANCIAL
DECENTRALIZATION
AS A PROVISION OF
EFFECTIVE
DEVELOPMENT OF
REGIONS OF UKRAINE**

Decentralization of power as a component of national regional development policy is one of the defining reforms in Ukraine. It has created the groundwork for rooting institutional change, for improving the quality of life of citizens, and for the continuation of sectoral reforms. A new system of relations between different branches of power and a new balance of checks and balances are in fact being formed today by creating a new system of distribution of powers between central and local authorities in Ukraine. At first sight, the redistribution of powers in a war-torn country that requires strong central management and the unification of the entire nation's resources can be seen as a controversial step. However, the reform of decentralization of power does not in itself provoke the development of centrifugal tendencies in the country and does not lead to tensions between the Center and the regions.

In order to ensure the effective development of regions in Ukraine in 2015, a reform was launched in the direction of decentralization of public administration. The process of decentralization in general implies the extension of the rights of local and regional self-government regarding independent decision-making and the exercise of powers delegated by the state power, the transfer of part of the functions of the central government to local self-government bodies [1, p. 60; 2, p. 145]. An integral part of the reform is the implementation of financial decentralization, which involves the transfer of financial resources and responsibility for tradition expenditure powers from central government to the local level.

Financial decentralization aims to ensure that the financial resources are sufficient to fulfill the powers assigned to them by local governments. However, as the first results show, despite the positive effect of delegating local authority to address regional development issues and improving governance, the increase in local government spending is not supported by a corresponding increase in the financial

resources sufficient to cover it. Therefore, in order to further implement decentralization processes in the country and achieve the socio-economic development of the regions, the problems of matching local budget expenditures to their financial provision and assessing the level of financial decentralization require in-depth research.

Along with the general principles of choosing ways to stabilize the domestic economy, it is of great importance to substantiate the directions of improving the effectiveness of the development of regional development strategy, which main task is to realize the potential of a particular region and to constantly improve the quality of life of the regional community.

The effectiveness of the functioning and development of the mechanism of regional governance is determined by an adequate system of strategic principles of regional development, which takes into account the complexity and high dynamism of processes carried out inside and outside the region as a socio-economic system, and ensures the participation in the strategic process of all stakeholders.

Strategy of implementation is a combination of planned and emergency management decisions to adapt an organization, industry, and region, country to a new situation that may create advantages or threats to weaken the competitive position of these entities. Extending this approach, the strategy should be seen as a model that integrates the main goals, policies and actions of the region as a whole. A science-based regional development strategy allows the most efficient use of limited resources, taking into account changes in the external and internal environment.

Theoretical and applied aspects of the complex problem of developing and implementing the strategy of socio-economic development was investigated in the scientific works of domestic and foreign economists, in particular O.I. Amoshi, Y.B. Basiluk, S.I. Bandura, M.P. Butka, OS Vihansky, A.S. Galchinsky, V.M. Geyets, Z.V. Gerasymchuk, B.M. Danylyshyn, S.I. Doroguntsova, M.I. Dolishny, V.I. Zakharchenko, T.M. Rocking, V.I. Kutsenko, A.S. Lisetsky, A.G. Mazura, L.O. Marmul, I.R. Mikhasyuk, V.I. Pili, R.A. Fathutdinova, M.I. Fashevsky, L.G. Chernyuk, Yu.P. Sharova, H. Wissem, P. Drucker, R. Koch, G. Mintzberg, M. Porter, A. Strickland, A. Thompson, D. Trout, P. Udenberg and others.

Financial decentralization is the most comprehensive and transparent type of decentralization, since it is directly linked to the organization and reform of the intergovernmental budgetary system. Local self-

government bodies gain fiscal independence (delegation of decision-making powers in the area of budgetary regulation) – the ability to make decisions on the formation of a tax base, determine the rates of relevant local taxes and fees, and introduce tax incentives for industries at the regional level. This encourages those to compete with each other in the context of different tax rates to provide financial support to communities. However, all these changes often do not solve the problems of filling the local budgets do not ensure the financial self-sufficiency of local self-government. It is advisable to look for additional sources of replenishment of local budgets, as well as to use a number of alternative opportunities (placement of temporarily free funds on deposits, purchase of securities, obtaining loans, granting loans, municipal bonds). It is financial decentralization that enables local governments to search for additional financial resources on their own.

According to A. Umland, decentralization should be considered of the process that strengthens the country, counteracts federalization and separatist tendencies [1]. In the hybrid war against Ukraine, Russia nowadays uses the uncoordinated nature of the Ukrainian space, significant cross-regional differences. Achieving cohesion should be the main task of the state's internal policy and, accordingly, the state's regional policy. As the world experience has shown, the successful implementation of territorial development projects implemented and implemented by territorial communities has a significant effect on the development of the region's economy and the cohesion of the country as a whole. Increasing the capacity of the community to effectively influence the essential characteristics of one's quality of life is the basis of sustainable community development based on inclusivity. Now, after five years of active implementation of the decentralization reform, it is rightly considered as one of the most successful reforms in Ukraine since 2014.

Given the challenges of territorial integrity, the ability of the Verkhovna Rada to make decisions on constitutional changes regarding the decentralization of power in 2014-2015 was limited [5].

Now there is a fundamentally new phase for decentralization reform. One percent coverage of the territory by the united communities is due to end in spring 2020. Given that over the past four years, 3.9 thousand of the total 10.9 thousand communities have been united, and 64% of the communities' remain united, a sharp acceleration of decentralization reform is needed.

Zhytomyr, Dnipro, Khmelnytsky, Chernihiv and Zaporizhzhya

regions ranked as the regions with the most important communities. In the last positions of the rating – Kirovograd, Transcarpathian, Vinnytsia, Kiev, Lviv regions.

Only 8 regions have approved long-term plans for the formation of community territories that cover 100% of their territories. However, these plans also need adjustments.

On November 8, the President of Ukraine signed Decree №837/2019 “On Urgent Measures for Reforming and Strengthening the State”, in which, inter alia, he resolved to the Cabinet of Ministers of Ukraine to revise the methodology of forming capable territorial communities, taking into account the criterion of developing an optimal social infrastructure network and accessibility of public services, as well as ensuring in accordance with the established procedure in accordance with such methodology, approval and approval of updated prospective plans for the formation of territories of communities of regions.

The Decree also states that by December 31, 2020, the Government should develop and submit to the Verkhovna Rada of Ukraine a draft law “On Local Self-Government in Ukraine” (new version).

Earlier, Decentralization reported that by December 1, each regional state administration should form a capable network of public services and services. That is, we see that, in the meantime, the practical dependence of local budgets on transfers from the state budget remains a problem. In the Law of Ukraine “On the State Budget for 2018” the amount of intergovernmental transfers for local budgets amounted to 314 billion UAH. Of these, intergovernmental transfers from the general fund - UAH 300 billion, from the special – UAH 14 billion. The Law of Ukraine “On the State Budget for 2019” provides for the allocation to local budgets of a total of 40 different types of subsidies and subsidies, of which 29 subsidies and 5 types of subsidies – from the general fund of the state budget.

The total amount of local budget financial resources in 2019 will amount to UAH 588.9 billion, which is UAH 35.6 billion, or 6.4% more than in 2018. In order to increase the resource of local budgets, there remain on the ground the proceeds from: the tax on the income of individuals from the income for renting land; 5% rent for hydrocarbon production; land tax for forest land; 13.44% excise tax on fuel. In total for 2019, an additional resource of UAH 44.6 billion has been raised for all territorial communities. According to the estimation of the Ministry of Finance of Ukraine, local budget revenues will grow by UAH 41.4 billion in 2018 compared to 2018 (by 16.6%) to UAH 291.1 billion. [11].

The budget legislation for 2019 provides for the following changes to support local budgets [12], which are already showing positive effects: – canceled benefits for payment of land for railway companies – through renewal of taxation of these lands will receive UAH 1.2 billion; – almost UAH 0.4 billion was compensated. loss of local budget revenues through the provision by the state of tax exemptions for the payment of land tax to subjects of space activity and aircraft construction; – the base has been changed and the tourist tax rates have been increased (set as a percentage of the minimum wage), allowing local budgets to receive an additional UAH 120 million; – continued funding from the state budget, not from local budgets, payment for child patronage services and payment of child welfare allowance to the family of the patronage caregiver (until 2027), thus saving at least UAH 21 million in local budgets.

In the context of institutional failure, it is not possible to ensure a clear administrative division of competences between levels of government. Institutional failure leaves a large share of uncertainty in the behavior of development actors, so management must be able to adapt flexibly. Under these conditions, the administrative model of cooperation between levels of government does not seem to be the optimal one, and the model of decentralization with increasing powers of local self-government bodies best meets this requirement [3].

Empirical studies released by experts from the Organization for Economic Co-operation and Development have demonstrated the positive impact of political decentralization on the effectiveness of governance in rich countries by optimizing the conditions for providing public goods and services, and promoting innovation in this area. Instead, even in the poor countries, there is even a slight negative effect. Among the main sources of risk are the complication of macroeconomic policy implementation, especially regarding fiscal coordination, exacerbation of inherited territorial disparities, and the problem of institutional excellence of decentralized units receiving delegated powers [4].

The first step along the way was the adoption of the Territorial Communities Collaboration Act of June 17, 2014, which allowed communities to join forces to address common economic and other problems and to implement joint development projects. An additional impetus for cooperation of territorial communities was the support of projects of inter-municipal cooperation from the State Regional Development Fund.

The turning point in the way of formation of able communities was the adoption of the Law “On Voluntary Association of Territorial Communities” (February 5, 2015) and approval of the Methodology of formation of capable territorial communities (April 8, 2015), developed by the Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine.

For a year now, the mechanism of accession has been applied to cities of regional importance – key centers of economic activity. For example, on April 3, 2018, the Law of Ukraine “On Amendments to the Law of Ukraine” On Voluntary Association of Territorial Communities "on the voluntary accession of territorial communities of villages, settlements to the territorial communities of cities of the Republican Autonomous Republic of Crimea, of regional importance was adopted.

The format of community participation in cities of regional significance is one of the key factors for voluntary community integration at the next stage of decentralization reform. The start of a new stage of decentralization reform is reflected in the Government's Action Plan for the implementation of a new stage of reforming local self-government and territorial organization of government in Ukraine for 2019-2021, which was approved on January 23, 2019. Community level government completing voluntary community process. The public demand for further community empowerment and the political will to hold local elections in 2020 on a new territorial basis make it necessary to complete the process of forming united communities through additional regulatory incentives. It is about speeding up the approval of prospective plans for integrated territorial communities of all regions with 100% coverage of territories; maximize the promotion of voluntary community association, especially in cities of regional importance; approval of the territory of the communities of all oblasts, ie completion of the establishment of base-level administrative-territorial units. This means that in 2019, the process of territorial community unification remains voluntary, while the possibility of using an administrative method of approving community territories of all regions in 2020 is not excluded. Arise in the process of implementation of the reform and may interfere with the achievement of its strategic goals.

One of the biggest problems in the legal sphere is the delay in implementing the amendments to the Constitution necessary for the full implementation of the Concept of Local Government Reform. Such changes should, in particular, entail a change in the administrative-territorial structure, granting wider powers to local governments, and

clarifying the responsibilities of state administrations (prefectures). According to the Concept, united territorial communities should form a new basic level of administrative territorial structure and provide a basis for transformation of the district level of government.

Meanwhile, the practical dependence of local budgets on transfers from the state budget remains a problem. In the Law of Ukraine “On the State Budget for 2018” the amount of intergovernmental transfers for local budgets amounted to 314 billion UAH. Of these, intergovernmental transfers from the general fund – UAH 300 billion, from the special – UAH 14 billion. The Law of Ukraine “On the State Budget for 2019” provides for the allocation to local budgets of a total of 40 different types of subsidies and subsidies, of which 29 subsidies and 5 types of subsidies – from the general fund of the state budget.

Despite the obvious benefits of budgetary decentralization, this process generates both financial and managerial risks. According to experts, excessive decentralization of the budget system makes it difficult for the state to perform such functions as stabilization and redistribution of income. Management risks are associated with the low qualification of local authorities, the mismatch between the formation of local budgets and the goals and objectives of the socio-economic development of territories, which may ultimately offset the use of the potential of budget decentralization. The experience of European countries shows that the extension of tax autonomy of local budgets exacerbates inter-regional differences in income, and, therefore, in the level and quality of budget services. On the one hand, this may lead to an increase in transfers from the state budget and a deterioration of the state financial system. On the other hand, for rich regions and territorial communities, there is a threat that rising tax revenues will boost spending, which can then be difficult to slow down, which in turn can complicate local spending in times of economic downturn [2].

Additional financial resources and the ability to solve community problems are key benefits for United Territory Heads in the new status. They spend new resources mainly on repair and construction work, while investment projects aimed at increasing community income are lacking due to the lack of experience of local government managers and their desire to show rapid benefits to the community.

Summarizing the above, it should be noted that budget decentralization is a prerequisite for the establishment of an effective system of local finances, it involves stimulating the regions to financial autonomy, finding and additional own resources, activating the internal

potential of regional development. According to experts, the following measures should be taken to further implement fiscal decentralization reform and ensure the effectiveness of the local government system [7]:

- improve the legislative framework on decentralization of powers in all sectors and areas of service provision, clearly define the functions of local executive authorities and local governments at all levels;

- to bring to the state bodies of executive power the conceptual foundations of reform, in particular the education system, health care, other social branches in accordance with the main provisions of the Concept of reforming local self-government and territorial organization of power in Ukraine;

- to develop and approve in accordance with the established procedure state standards (norms) of quality of administrative, social and other services provided to the population in the respective spheres;

- ensure direct intergovernmental relations of the united territorial communities with the state budget and make the transition from a three-tier to a two-tier budgetary system; - increase the efficiency of local taxes and fees by improving the mechanism of their administration and creating a single database;

- improve the system of regional development planning by developing methodological recommendations for monitoring and evaluating the effectiveness of regional strategies for the formation of capable integrated territorial communities, etc. The issues surrounding financial decentralization need to be further deepened by the fragmentation of existing research. Particular attention should be paid to the responsibilities of local self-government bodies, which is a prospect for further research.

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Chapter 7

IMPLEMENTATION AND HARMONIZATION OF INTERNATIONAL LAW AND EUROPEAN UNION LAW IN THE PROCESS OF ENSURING SUSTAINABLE SOCIO-ECONOMIC DEVELOPMENT

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**OFFSHORIZATION AS AN
ILLICIT PRACTICE OR
MEANS TO GENERATE
FINANCIAL RESOURCES?
INTERNATIONAL
EXPERIENCE AND CASE
OF UKRAINE**

Global offshorization process is discussed today in connection with movement of investment and credit and is often deemed outcome of globalization and the development of information technologies. Offshore practices are mostly associated with the offshore country's local legal registration and foreign ownership, assets and liabilities; no production activity but financing or holding activities. Otherwise, offshore zones can mean offshore financial centers as a regulatory and taxation phenomenon, as countries or jurisdictions providing financial services to nonresidents on a scale that is incommensurate with the size and the financing of its domestic economy (Zorome, 2007). Offshore activity is also regarded as a form of entrepreneurship based on tax preferences (Dergachev, 2011).

The scope and significance of the process is witnessed by the impressive figures (Damgaard et al, 2018): total size of individual holdings, mostly citizens of financially unstable and oil-producing countries, in tax havens was roughly 10% of world GDP (US\$7 trillion); whereas global average of 40% (US\$12 trillion) outward foreign direct investment passed through the offshore zones or empty corporate shells with no economic substance.

Another research by Financial Secrecy Index in 2018 estimated global offshore assets at US\$32 trillion, while the illicit financial flows at US\$1-1,6 trillion, and the countries' annual loss (unreceived tax) from tax violation practices is up to US\$250 billion. The portion of economic agreements under which the goods, services or operation is executed with participation of companies, registered in the tax havens, exceeded 80% in 2018, whereas in 2012-2013, this portion stood at below 40% (Cherkashyn, 2018).

The deeper insight into the subject allows unveil the foundational incentives for the offshorization, which imply not merely tax avoidance or money laundering intentions, which probably were initial, but also a number of advantages offshore and quasi-offshore territories offer. The mentioned researchers admitted that only high taxes may not be the reason to lead to high offshore tax evasion: for example, the Scandinavian countries with world-highest income tax rates have relatively little offshore personal wealth. In the emerging economies to have suffered from a currency exchange rate crisis in the aftermath of the global financial crisis, individuals besides tax evasion aim to circumvent capital controls.

Scholars offer working definition for the offshore finance regarded as a multidimensional, global concept, which involves consumers in a mainland "home jurisdiction" ("onshore") using financial services from an "offshore host jurisdiction", where the consumer will probably not reside. "Host jurisdiction" in regulatory terminology means a country (other than the country of incorporation) where a financial services company is represented (by, say, a subsidiary or a branch). The IMF has suggested that offshore finance is the provision of financial services by banks and other agents to non-residents, which however includes all the major financial centers in the world, where there may be little distinction between on- and offshore business. A more practical definition refers to a center where the bulk of financial sector activity is offshore on both sides of the balance sheet, transactions are initiated elsewhere and the majority of the institutions involved are controlled by non-residents:

- jurisdictions with relatively large numbers of financial institutions engaged primarily in business with non-residents;
- financial systems with external assets and liabilities compared to domestic financial intermediation;
- centers providing the following services: low or zero taxation; moderate or light financial regulation; banking secrecy and anonymity

(McCann, 2006).

Smaller jurisdictions may offer offshore finance as they need to pay for what they consume, and to do this they need to generate revenue (McCann, 2006). With regard to present day attempts of the supranationals to counter illicit finance, such jurisdictions rather offer credible business not to assist tax evasion or money laundering, but to provide professional support in a variety of financial services, legally protecting customer confidentiality but with no obstacles to supervisors to check safety of the operations and with sharing of information with the authorities (McCann, 2006).

Offshore jurisdictions offer ownership protection, whereas in emerging countries companies can undergo raiding. Investment companies can minimize expenses and participate in riskier projects, whereas small investors can create offshore funds to accumulate capital (Dergachev, 2011). The special purpose vehicles registered in the “offshores” are the means to circumvent money-and-credit regulatory bottlenecks and enter global money capital markets to place or purchase financial instruments of various types and currencies, widen sources for business financing.

Under offshore activities, practitioners mean that a company skips economic activities in the given territory and, does not obtain main revenue from the country of incorporation, but from markets around the world. Offshore incorporation in this context allows tax planning efficiency, being a platform for reinvesting into home country of operation, at easier international operations, freedom from state regulation (business friendly government) and placement of funds in accounts out of the country. An offshore is considered “a channel for professional services abroad”, “encouraging global expansions, trade, investments and growth”¹.

In early 2000 and yet effective nowadays, the IMF has outlined the examples of uses of offshore financial centers²:

- offshore banking when an onshore bank establishes a wholly owned subsidiary in an OFC to provide offshore fund administration services;

¹ *What is an offshore jurisdiction and why is Cyprus actually considered onshore, but still an ideal investment gateway to the EMEA region?* Available at: http://www.investment-gateway.eu/onshore_jurisdiction.asp.

² *Offshore Financial Centres. IMF Background Paper, 23 June 2000.* Available at: <https://www.imf.org/external/np/mae/oshore/2000/eng/back.htm>.

- offshore corporations used to own and operate businesses, issue shares, bonds, or raise capital, create complex financial structures;
- insurance companies to reinsure certain risks underwritten by the parent and reduce overall reserve and capital requirements;
- special purpose vehicles to engage in financial activities in a more favorable tax environment and to attract financing on global capital markets unimpacted by home country limitations on currencies or types of financial instruments. The SPV may be assigned a set of assets (e.g., a portfolio of mortgages, loans credit card receivables) to offer them as an underlying value for the issued securities. As such, largest banks in Ukraine used SPV's to raise capital of longer maturities and hard currencies, taking advantage of more liberal netting rules than faced in home countries, reducing their capital requirements;
- favorable legally defensible tax planning. As such, multinational companies route activities through low tax offshore to minimize their total tax bill through transfer pricing, i.e., goods may be made onshore but invoices are issued offshore by a subsidiary owned by the multinational, moving onshore profits to low tax regimes;
- tax evasion and money laundering – avoidance in declaring assets and income gained from illegal transaction to the relevant tax authorities; asset management and protection against the collapse of domestic currencies and banks, and, as mentioned, cross-border capital controls, home country raiding.

Other specific examples of the offshore financial services include: establishment and administration of mutual fund companies; structured debt for bond markets, other capital markets applications; securitisations; international employee stock option plans; shipping and aircraft financing structures.

The IMF outlined attributes of the offshore as follows:

- minimum formalities for incorporation;
- adequate legal frameworks that safeguard the integrity of principal-agent relations;
- proximity to major economies, or to countries attracting capital inflows;
- reputation of specific offshore financial centers and the specialist services provided.

One of the issues discussed in relation to offshore practices is information secrecy, including on ultimate owners, origin of funds etc., which has gained utmost importance in result of international financial

sanctions policies and development of financial monitoring with the KYC and KYCC routine, FATCA³, CRS⁴, BEPS⁵ – all increasing transparency and safety of operations via reporting requirements and

³ *The U.S. Foreign Account Tax Compliance Act requires that foreign financial Institutions and certain other non-financial foreign entities report on the foreign assets held by their U.S. account holders or be subject to withholding on withholdable payments. Retrieved on November 28, 2019 from <https://www.irs.gov/businesses/corporations/foreign-account-tax-compliance-act-fatca>*

⁴ *The OECD Common Reporting Standard sets forth exchange of account and taxpayer information about the jurisdictions' financial institutions. . Retrieved on November 28, 2019 from <https://www.oecd.org/tax/automatic-exchange/common-reporting-standard/> In order to comply with the CRS, banks inquire where the client pays taxes and to comply with FATCA – if the client is a U.S. resident. CRS is a solution to disclose offshore bank accounts by allowing entire countries to mandate their banks to share information to other member countries. Over 100 countries (including most tax havens and offshore banking havens, like for example, the Marshall and most Caribbean islands) have signed up, and most of those are already exchanging data. However, there are a few countries that as at August 2018 adhered to bank secrecy, or in today's words “a legal way to bank offshore”: Armenia, Cambodia (with new capital flows, including from international banks), Georgia, Kazakhstan(also a investment destination, largest banking center in the region, and follows some of the same foreigner-friendly procedures), Montenegro, the Dominican Republic, the Philippines (has plenty of international banks, but the banks there are highly FATCA compliant), Serbia and Ukraine (latter has however lately joined BEPS and FATCA). The United States is also not a CRS member as it pursues reciprocal automatic information exchange under FATCA, that is information sharing, but on its own terms. Countries that do not report under CRS still report under FATCA; besides, residents of some developed countries are also required to report foreign bank accounts, even if information is not automatically exchanged, also there are a few countries that do ban their resident citizens from banking in another country. Nowadays, offshore banking is getting the meaning of “legal diversification of finances” rather than “hiding money” (Henderson, 2018). According to data in the OECD Global Forum's 10th anniversary report, in 2018 nearly 100 member jurisdictions automatically exchanged information on 47 million financial accounts, covering total assets of US\$4.9trillion. In total, more than €100billion in additional tax revenue has been identified since 2009, according to the OECD official website, available at: <https://www.oecd.org/tax/international-community-has-achieved-unprecedented-success-fighting-offshore-tax-evasion.htm>.*

⁵ *Base Erosion and Profit Shifting refer to the tax planning strategies aimed to exploit gaps and mismatches between different countries' tax systems, against which the OECD offered measures to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment, as per OECD website, available at: <http://www.oecd.org/tax/beps/about/>*

information exchange on the one hand, but can suspend or hamper the turnover of trade, investment and related settlements, eroding the essence of the “bank secret” concept on the other.

The illegal cross-border movements of funds and financial instruments connected with money laundering and terrorist financing are under cap of the FATF Forty Recommendations first issued in 1990, Eight Special Recommendations of 2001 and Special Recommendation (IX) of 2004, predisposing countries to freeze and confiscate related funds, exchange information on illicit cash movements.⁶

Currently, the 8 major offshore zones are in the Netherlands, Luxembourg, Hong Kong SAR, the British Virgin Islands, Bermuda, the Cayman Islands, Ireland, and Singapore and host more than 85% of the world’s investment in special purpose entities (Damgaard et al, 2018). There were changes in tax havens’ share: the proportion of the world’s assets managed by the Swiss banks was down from ca.50% before financial crisis to ca.25% in 2018, the study said. The Asian tax havens expanded, such as Hong Kong SAR, Macao SAR, and Singapore. This development may indicate that international cooperation on tax matters by Switzerland and other European tax havens counters tax evaders.

The European Commission said taxpayers in Cyprus and Malta, which both belong to the euro currency area, held about 50% of their wealth abroad, the highest in the bloc, against 12% in France, 10% in Germany and nearly 9% in Britain, which helps taxpayers cut their bills on savings in low-tax jurisdictions. Wealth held abroad by EU citizens fell during the 2007-2010 global and EU financial crises, but rose again after that. Lately the EU has established blacklist of tax havens, but currently the list includes only 9 small jurisdictions, mostly Pacific islands with no financial relation with the EU. At global level, the EU estimated that \$7.8 trillion was held offshore in 2016. United States’ residents channeled offshore 5% of the U.S. GDP, the Chinese taxpayers

⁶ 92 *FATF Recommendations Publications*. Available at: [https://www.fatf-gafi.org/publications/fatfrecommendations/?hf=10&b=0&s=desc\(fatf_releasedate\)](https://www.fatf-gafi.org/publications/fatfrecommendations/?hf=10&b=0&s=desc(fatf_releasedate)). Back in 2004 and 2010 Ukraine was on the list of the FATF non-cooperative countries, in response to FATF concern, Ukraine developed financial monitoring legislation (finally the integral Law of Ukraine of October 14, 2014 No. 1702-VII On preventing and counteracting to legalization (laundering) of the proceeds of crime, terrorist financing, and financing proliferation of weapons of mass destruction as well as the Resolution of the National Bank of Ukraine of June 26, 2015 No. 417 No.417 On approval of the Regulations on implementation of financial monitoring by banks were passed).

– more than 15% of GDP, most likely in Hong Kong. Offshore holdings were likely higher than its estimates showed, as this did not include insurance contracts, real estate and cash (Guarascio, 2019).

Back in May 2000, the Financial Stability Forum published the grouping into 3 categories of offshore financial centers (OFCs) reflecting quality of supervision and degree of co-operation to achieve financial stability, noting that the well supervised OFCs are in Group I and worst supervised in Group 3. N Group I was Hong Kong SAR, Luxembourg, Singapore, and Switzerland, Ireland, while Bahrain, Malta and Monaco were in Group II, and British Virgin Islands, Cayman Islands, Lebanon, Liechtenstein, Marshall Islands, Panama and Cyprus were in Group III with least supervision and cooperativeness⁷.

Now Cyprus is not considered tax haven or offshore jurisdiction, but as a quasi-offshore, for the reasons additional to low taxation, Cyprus has gained popularity among the Ukrainian and Russian⁸ capital holders. The Republic has become the EU member country since May 2004, but the tax rates are lower there which stimulates economic growth and foreign capital inflow (with a record low of 10% in 2005 to 12.5% since 2013 till now, Table 7.1). At that Cyprus has become “a credible platform for investments, tax planning and international banking”, “an internationally recognized financial center that offers various company formation advantages”. Credibility is supported by following: Cyprus complies to the EU directives and is on the OECD list of territories meeting international best tax practice; Cyprus is at the center of the EMEA, has infrastructure for servicing companies, with a highly educated workforce but relatively low labor costs⁹.

Offshores are proved to take an important role in accumulating and processing investment. In case of Ukraine, 28.3% of total foreign direct investments from abroad origin in Cyprus, at the same time 94.2% of

⁷ *Financial Stability Forum Releases Grouping of Offshore Financial Centres (OFCs) to Assist in Setting Priorities for Assessment. Press Release Ref. No.: 15/2000E, available at: https://www.fsb.org/wp-content/uploads/pr_000526.pdf May 2000*

⁸ *As such, numerous large corporates of Ukraine and Russia, like Norilsk Nickel, Rostelecom, Renaissance Capital, Alpha Group, have stockholders with the Cypriot registration.*

⁹ *According to the information from Investment-Gateway.eu, an online platform and forum of information exchange for professional services via Cyprus and the European Union, available at: http://www.investment-gateway.eu/onshore_jurisdiction.asp*

Table 7.1

Select countries by lower corporate tax rate (0-20%)

Country	%
Brunei	18.5
Belarus, Croatia, Switzerland, Ukraine	18.0
Lebanon, Singapore, Taiwan	17.0
Hong Kong	16.5
Romania	16.0
Albania, Georgia, Kuwait, Lithuania, Mauritius, Oman, Serbia	15.0
Cyprus, Ireland, Liechtenstein	12.5
Macau, Moldova	12.0
Bosnia and Herzegovina, Bulgaria, Kosovo, Macedonia, Qatar	10.0
Hungary, Montenegro	9.0
Uzbekistan	7.5
Bahamas, Bahrain, Bermuda, Cayman Islands, Isle of Man, Maldives, United Arab Emirates, Vanuatu	0

Source: *Trading Economics*, <https://tradingeconomics.com/country-list/corporate-tax-rate?continent=europe>

investments streaming from Ukraine went to Cyprus for 2018, according to the State Statistics Service of Ukraine (Fig. 7.1).

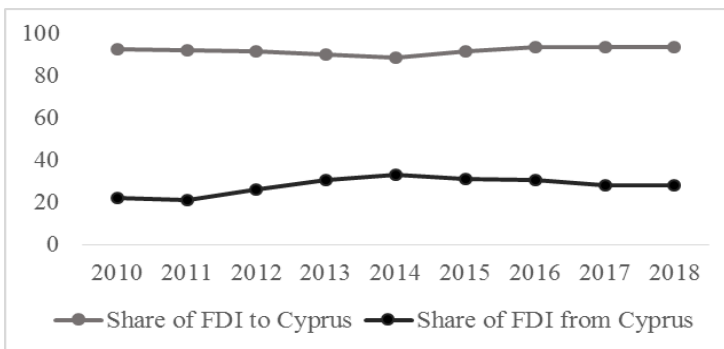


Figure 7.1 FDI balance of Ukraine with Cyprus, % (share of total Ukraine’s inward and outward FDI)

Source: *SSCU*, <http://www.ukrstat.gov.ua>

Today, the attitude to offshore jurisdictions and operations has moved from the mere tax haven phenomenon to much wider

phenomenon developed in course of globalization and allowing diversity of financial transactions and instruments, accumulating large investments and asset protection. There is no direct response to if the offshorization is univocally the negative trend or negative externality. In the rise of concern about illegal turnover of funds, it is worth to note that no financial environment is safe from those using the offshore's advantages illicitly. Applicable to a small emerging economy subject to frequent regulatory changes, among the suggested means to redirect offshore funds to home country there are creation of favorable investment environment by complying with creditors' rights, ease of doing business, reasonable fiscal and capital controls policies, aimed to attract direct investments rather than borrowings and more than portfolio investments. Otherwise, the ideas about implementing quasi-offshore taxation system, which might help enhance taxation base and reduce shadow economy, and inspire capital owners to return capital to home country, also have the right to exist.

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**IMPLEMENTATION
AND HARMONIZATION
OF EUROPIAN UNION
LAW RULES IN THE
PROCESS OF
PROVIDING
FUNCTIONING OF THE
UKRAINIAN INSTITUTE
OF BANKING
INFORMATION**

In spite of the fact that as a result of hostilities in the East, the annexation by the Russian Federation of the AR of Crimea, Ukraine finds itself in very difficult conditions continuing to take the course of the process of joining the European integration space, which is confirmed by the adoption of the Law of Ukraine “On Ratification of the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their Member States, on the other hand” [1]. In an effort to be recognized as a European partner, fulfilling the terms of this Agreement, adapting to the requirements of the European Union, the Ukrainian state has initiated a series of political, socio-economic, legal and institutional reforms. Today the current situation in the Ukrainian economy is characterized by a number of significant problems and risks, but thanks to reforms, activation of European integration processes, the modern domestic business is gradually becoming part of the world economic system, the share of exports of goods and services to the EU countries is increasing. There is no doubt that the growth of exports depends to a large extent on the competitiveness of Ukrainian enterprises' products in international markets. Unfortunately, for most businesses, conditions are difficult to anticipate. In its turn in the process of economic activity is necessary to make decisions that affect the economic indicators of the enterprise, improve its activity, cooperation with other subjects of market relations, without violating the legal framework of entrepreneurship. It is indisputable that information space, information resources, information infrastructure and information technologies have a significant impact on the level and pace of socio-economic, scientific, technical and cultural

development of the modern state. At the same time, it should be noted that the unstable political and socio-economic situation in the country increases the degree of risk of decision-making and functioning of enterprises in general. Accordingly, a significant role in the effective functioning of business entities of modern Ukraine depends on the level of information ownership in various fields, especially in banking. As the banking sector has an important function to ensure the development of an efficient economy of the state. At the same time, it is important to improve the legal regulation of information relations in the field of banking, which is associated with the rapid development of public relations and, above all, market ones. All this necessitates legal protection of information in the sphere of money circulation, in particular when conducting banking operations. Due to the specific nature of banking activities, the relationship between the bank and the client is credible. The client not only trusts the bank with its cash, but also potentially admits it to information about its financial status. Disclosure of information relating to the client's financial condition, and in particular information that is bank secrecy, may adversely affect the security and reputation of the customer of the bank, which reinforces the need for clear state regulation of the banking information sphere in general and the institution of banking information in particular. At the same time, there has recently been a growing interest in access to banking information by both individuals and public authorities, which jeopardizes the efficiency of banking information protection and creates confidence in the banking system as a whole. Thus, the World Economic Forum published the ranking of countries in the Global Competitiveness Index 2017-2018, according to which Ukraine ranks 123rd out of 137 countries in terms of reliability and confidence in banks [2]. Accordingly, to our position, the theoretical understanding of the legal framework existing in Ukraine to regulate the institution of banking information in the context of correlation with the European Union regulatory framework in this field is important.

The implementation of international law rules in national law is understood as a process consisting of a set of procedures and tools that contribute to the effective implementation of these rules. As a result of implementation, on the one hand, borrowing of provisions of international law (procedures, institutions, language fragments, normative acts, principles, values, legal ideas), and on the other – transformation of national legislation in order to update and improve the rules of the national legal system. Thus, the “implementation of

international law” against the background of other terminology, which is also used in the context of taking into account “foreign” legislation, is in fact a practice of adapting to the legal “field” of relevant international, state and, in particular, European Union countries, Ukrainian legislation. At present, it is a system of financial and legal frameworks, which harmonize key principles and legal norms for the general rules of operation and development of economic entities in Ukraine [3, p. 185-186]. In the given context Ukraine’s top priority is to undertake a legal reform that would include, in particular, the approximation of national legislation to the norms and requirements of international law.

Approximation of legal systems leads to the development of a theory on the implementation of the Strategy of integration of Ukraine into the world community requires rethinking the provisions of international law by synthesizing ideas of relevant legal areas. The development of the world economy, international economic relations, leads to the emergence of foreign entities in the national banking system in the form of penetration of foreign capital into the banking sector, the development of international and regional cooperation on the formation of standards of banking regulation, the formation of cross-border banking services market. Therefore the integration processes, which are given, in Europe and the particular importance of banking in the course of the creation of a single economic and monetary union, the problem of harmonization of banking legislation is urgent for both the Member States of the European Union and the countries pursuing their policies of joining the organization. [4, p. 326].

Prospects for the development of the domestic banking system in the conditions of building an information society are conditioned not only by the level of Ukrainian legislation and the quality of the legal system, but to a large extent by the full compliance with the requirements and norms of international legal institutions, and first of all by the European Union. “Adaptation of legislation” against the background of other terminology, also used in the context of taking into account “foreign” legislation, is in fact a practice of adapting to the legal “field” of the relevant international state, in particular European Union countries, the legislation of Ukraine. At present, it is a system of financial and information and legal bases, which harmonize key principles and legal norms for the general rules of functioning and development of banking and information sphere in Ukraine.

In the conditions of the information society development, the banking sphere is being re-reflected. As noted above, not only the level

of automation of banking is changing, but also banking itself – its product becomes more capacious, which means an increase in the share of innovation, design and marketing in its value. Effective bank management is based on the collection, analysis, evaluation, transfer and use of information in order to maintain and develop management processes and solve socially important tasks. At the same time, precision, logic and promptness of information processes should be important conditions for optimal information support of the bank's management system. These processes are very active in the developed countries of the world, in particular in the countries of the European Union.

European integration processes require the creation of a modern banking legislation adapted to the requirements of the European Union, which requires the optimal correlation between the requirements of the latter and the experience of the Ukrainian law school. In order to address the issue of harmonization of national banking legislation more quickly, it is necessary to develop legislative programs that would cover the whole process of harmonization, determine all stages of their implementation, with specified deadlines and control over their implementation. Such programs, according to experts, should include analysis of compliance of the banking legislation of Ukraine with international legal documents, determination of measures to eliminate the identified gaps and disagreements with a clear timetable for implementation of measures, determination of state structures – executors of these measures, as well as assignment to the National Bank of Ukraine of functions oversee programs and timelines [4, p. 327].

In order to further analyze the issue of implementation and harmonization of the norms of international and European Union law in the process of ensuring the functioning of the Banking Institute of Ukraine, it is considered appropriate to characterize the conceptual and categorical apparatus, namely to determine the content of such concepts as “classification of banking information” and “banking information”. There are currently a number of approaches to classifying information in the banking industry. In particular the focus may be downward (from the authorized subject to the obliged) and upward (from the obliged to the authorized). According to the source of information, it is divided into external and intra-bank information. Legal and reference banking information is allocated by legal force, and regulatory and non-regulatory within legal information. According to the access regime, banking information is divided into open bank information and restricted banking information, which in turn is divided into confidential

banking information and banking secrecy, and within the latter can be distinguished business and professional banking secrecy. Depending on the stage of banking, the information is divided into preliminary (founding), current (proper banking) and final (final) banking information. Preliminary (founding) banking information is information provided by the banking legislation, which has a constituent character, is formalized and submitted at the stages of creation and registration of a bank, as well as licensing of banking operations. Current (proper banking) information is information defined by banking legislation that provides for banking transactions, banking services, etc., is issued and provided to authorized entities and banking authorities, in particular clients, the National Bank of Ukraine, government bodies in accordance with the law, contract or on other grounds. Final (final) banking information is information defined by banking law for a certain reporting period, which is provided to authorize entities by virtue of prescriptions of legal acts or upon their request for completed banking activities [5].

With regard to the concept of banking information, it can be viewed both broadly and narrowly. In broad terms, this definition of banking information is proposed. Banking information is any information, directly or indirectly, related to the bank, banking activities and banking system that is required when making the appropriate decision by the bank or client. In a narrow sense, banking information can be considered as information about the bank and its activities [5].

The current legal framework in Ukraine for regulating the Institute of Banking Information is quite extensive. As to Art. 32 of the Constitution of Ukraine [6] is prohibited the collection, storage and dissemination of confidential information about a person without his or her consent, except in cases provided by law.

In addition to the Basic Law of the State, an important role in resolving this issue is played by international legal acts, the consent of which has been given by the Verkhovna Rada of Ukraine, among which is the Convention on Laundering, Search, Seizure and Confiscation of Proceeds from Crime [7]. November 8, 1990, which obliges the parties to take the legislative and other measures necessary to empower their courts or other competent authorities to issue banking documents or to seize bank documents and not to evade them about bank secrecy.

In the framework of international cooperation, the said Convention prohibits the parties from invoking banking secrecy as a ground for refusing any cooperation under Art. 18 of the said international document, and also provides for the possibility, in case of disclosure of

bank secrecy, to authorize a request for cooperation by a judge or other judicial body.

The next level in the hierarchy of legal regulation of the Institute of Banking Information is constituted by the legal acts, which, in accordance with the Order of the Ministry of Justice of Ukraine “On improving the procedure for state registration of legal acts in the Ministry of Justice of Ukraine and canceling the decision on state registration of legal acts” 2005 are defined as official documents, adopted by the authorized by this subject of law-making in the form determined by law and order, which set norms of law for unknown persons who make range of people and are designed for repeated use [8].

Thus, the Law of Ukraine “On Information” [9] of October 2, 1992 discloses the legal bases for creating, collecting, receiving, storing, using, disseminating, protecting, protecting information, where, among other types of information, bank information can be directly allocated. Law of Ukraine “On the National Bank of Ukraine” [10] of May 20, 1999, according to which one of the functions of the said bank is to provide methodological support for the storage, protection, use and disclosure of bank secrecy information. In addition, the aforementioned act of legislation in section XII outlines the powers of the central bank of Ukraine to provide banking information in the part of the organization of monetary and financial statistics. Also the rules of Art. 66 prohibited disclosure of bank secrecy by employees of such bank. The Law of Ukraine “On Banks and Banking” [11] of December 7, 2000, defines the structure of the banking system, as well as the principles for the creation, operation, reorganization and liquidation of banks. The legal regulation of bank secrecy is devoted to Chapter 10 of the mentioned legal act, which outlines the meaning of the concept of bank secrecy, the list of information that constitutes such secrecy, the obligation to preserve bank secrecy and the procedure for its disclosure, as well as the provision of its disclosure are specified information on the accounts of debtors. The functioning of this framework law contributes to the creation of a mechanism which is the key to the proper storage of information that is banking secrecy. The Criminal Code of Ukraine [12] of April 5, 2001 establishes responsibility for the illegal collection for the purpose of using or using information that constitutes a commercial or banking secret (Article 231), disclosure of a commercial or banking secret (Article 232), etc.

In today’s world of financial services, with its high mobility of funds and rapid development of payment technology, means of money

laundering, anonymous protection, and tax fraud in some countries or territories make financial transnational crime. One of the areas contributing to combating such negative trends is the timely and complete receipt of information, which is accepted to be classified as bank secrecy. As a result, there has been a recent worldwide trend toward legislative restriction on banking information security. Banking secrecy is becoming more transparent in many developed countries, both America and Europe. In order to prevent and combat the legalization (laundering) of funds and the financing of terrorism, States are stepping up international cooperation in this area, including cooperation at the operational level. Ukraine, in cooperation with the countries of the European Union, ensures the implementation of relevant international standards, including those of the FATF Group, into national law. For example, the Law of Ukraine “On Prevention and Counteraction to Legalization (Laundering) of Proceeds of Crime, Financing Terrorism and Financing the Proliferation of Weapons of Mass Destruction” [13] of 14 October 2014 stipulates the interaction of law enforcement agencies and banks in obtaining, from the latest documents or information that is banking secrecy. This position is reflected in specialized laws related to the activities of particular law enforcement agencies – the Security Service of Ukraine, the National Anti-Corruption Bureau of Ukraine, etc. Accordingly, the Law of Ukraine on Currency and Currency Transactions [14] of the 21 June 2018 regulates certain aspects of the Institute of Banking Information. In particular, the mentioned legal act allows partial disclosure of banking secrecy, thus slightly changing the rules of its disclosure.

A special place in the system of current legislation governing the Institute of Banking Information is given to by-laws, the norms of which specify the provisions of laws or fill in the gaps of legal regulation. We propose to classify these acts into two groups: by-laws governing the issues of restricted banking information; by-laws containing open access information relating to the provision of banking information regarding individual bank operations and services.

According to the first group should include: first, the resolution of the Board of the National Bank of Ukraine “On approval of the rules of storage, protection, use and disclosure of bank secrecy” of the 14 July 2006 [15], which in addition to the general provisions, contains rules detailing the procedure storage, protection, use of information containing bank secrecy, as well as determine the procedure and limits of disclosure of such information, seizure (deprivation) of things and

documents containing the specified type of information. A special place is given to the peculiarities of the disclosure of banking secrecy to the central bank of Ukraine and the authorized body in this sphere. It is the by-law that regulates in the most detail the issue of information related to banking secrecy as a type of banking information. Secondly, the Resolution of the Board of the National Bank of Ukraine “On approval of the Regulation on the organization of information security measures in the banking system of Ukraine” of September 28, 2017 [16] whose main purpose is to improve the requirements for protection of information in banks’ information systems, in particular and banking information, by introducing an information security management system, setting up cryptographic protection of banking information, conducting basic and additional information security measures mats.

Without going into a detailed analysis of the second group of by-laws, let us briefly list them: Resolutions of the Board of the National Bank of Ukraine “On approval of tariffs for services (operations) provided (performed) by the National Bank of Ukraine” (2003), “On approval of the Regulation on the conduct by the National Bank of Ukraine of transactions on the purchase and sale of foreign currency on the terms of “swaps” (2016), “On approval of the Regulation on conducting cash transactions in the national currency in Ukraine” (2017), “On approval of the Bank’s Settlement Rules and Ukraine total cost of consumer credit and real annual interest rate on the consumer credit agreement ”(2017),“ On approval of the Instruction on the procedure for currency monitoring of banks by residents in compliance with the deadlines for payments on export and import of goods ”(2019), “On Approval of the Regulations on Security Measures and Determining the Procedure for Performing Certain Foreign Currency Transactions” (2019) and others. That is, bank information with open access can refer to credit, settlement, currency, cash transactions and various financial services [17, p.92].

Having chosen a European development way, Ukraine has undertaken to fulfill one of the fundamental principles of the European Union financial market and, accordingly, of its modern banking system, namely, the free movement of goods, persons, services and capital. Including free movement of capital related to the granting of loans. In spite of the fact that during the period since the signing of the Association Agreement with the EU, Ukraine has made a number of changes in the banking legislation of the country regarding banking regulation and supervision, liberalization of the capital market,

functioning of payment systems, Ukraine's current credit policy is complex and contradictory. It is characterized by the existence of fraudulent commercial activities related to disclosure of information by the lender. When offering credit products, Ukrainian banks generally do not provide their clients with the full range of information that consumers of such services should possess. Accordingly, the consumer cannot assess all the risks associated with repayment of the loan amount and payment of interest on it, which makes it impossible for the consumer to fulfill his obligations. As a consequence, the bank bears losses, its financial condition deteriorates, and ultimately, clients who keep their funds in the accounts in such financial institution suffer. Important in this context is the application of the principles of sound credit management in Ukrainian banking legislation, which is addressed in Directive 2008/48 / EC [18]. The Directive provides for the provision of sufficient information that the consumer of the credit product has been able to consult before concluding the credit agreement. Such information should include specific advertising provisions regarding credit agreements, as well as some elements of standard information that should be provided to consumers in order to be able to compare different offers and assess risks. Such information must be provided in a clear, concise and understandable manner to the consumer.

Summarizing the above considerations, it should be noted that, despite the size of the regulatory framework through which the legal regulation of the Institute of Banking Information is carried out and its constant updating, such regulation remains imperfect. In particular, it is about the obsolescence of certain provisions of legislation and their inconsistency with the requirements of international legal acts or the contradiction of the provisions of one act with the provisions of another. These problems are further compounded by the lack of a legislative definition of banking information, which leads to inaccuracy and ambiguity in the understanding of the content of certain legal acts and misclassification of certain information in banking. Positive in this context is the consolidation at the legislative level of the definition of banking information in order to differentiate it from other types of information and facilitate legal understanding; approximation of acts of national legislation to international ones. In its turn the implementation and harmonization of European Union law in the process of ensuring the functioning of the Banking Institute of Ukraine will enhance confidence in the national banking system and the mechanism of protection of banking secrecy as a type of banking information.

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EU: THE ECONOMIC GROWTH STRATEGY OF THE MINERAL WATER MARKET

The process of socio-economic development is characterized by a lack of spatial equilibrium. Due to different conditions and changing factors the endogenous and exogenous stages of development do not manifest with the same intensity at each site. However, too much spatial differentiation between levels of development can lead to obstacles to

the flow and optimization of the development process itself. One of the general goals of the European Union in the context of forming political and economic relations with Ukraine is to create favorable conditions for its balanced territorial growth.

However, further expansion of membership has led to a deepening of internal differences in development, which has led to a systematic intensification of interventions aimed at effectively improving cohesion while expanding the substantive content of this concept. As a result of this process the main goal of success is to concentration of attention on three dimensions: economic, social and territorial, rejection of the compensatory approach.

It should also be noted that the coexistence of areas of economic growth and stagnation is no longer considered a barrier to market development. The barrier is the existence of too large inequalities in the levels of development, which are accompanied by the lack of connections, which are essential for the proper functioning of the spatial system according to the basics of the theory of polarization and diffusion. Acceptance of this prerequisite prior to intervention in the framework of national and regional policy may influence its goals and reorient the elimination of differences to the use of their benefits through the use of endogenous resources, territorial policy coordination, multilevel management. Change the policy paradigm from compensation to polarization-diffusion is applied by the Organization for Economic Cooperation and Development (OECD) and the World Bank.

In this context it is important to form a new paradigm for a differentiated strategy for market economic growth. However, this issue becomes debatable when discussing the possibility of splitting a cohesion policy budget. Obviously, lagging countries and regions are abandoning the compensation paradigm, leading to a partial loss of structural allocations that can now be targeted at major regions.

The purpose of the scientific research is to identify the current state and dynamics of differentiation of socio-economic development, which may prove difficult for economic policy both internationally and regionally level in terms of adherence to the policy cohesion of European Union by member states, exploring the possibilities of adaptation to Ukrainian needs and realities in forming the paradigm of a differentiated strategy for economic growth of the mineral water market.

The research procedure consists of the following steps:

1. Characterization of the state and goals the cohesion policy of the

EU.

2. Analysis of the state and differentiation of socio-economic development.

3. Conclusions and recommendations for a targeted cohesion policy on identified spatial differentiation and the concept of cohesion policy in 2014-2020 developed by the European Union.

The scope and goals the cohesion policy of the EU is a new programming period for the EU budget. First, a united Europe demonstrates low resilience to the effects of the global economic crisis, even weakening its position in global markets. Secondly, proposed the effective mechanisms of monitoring the macroeconomic policy to prevent the deepening of the crisis in individual member states, affecting the whole of the European Union. Third, the search of more effective solutions in the sphere programming, implementation and monitoring policy. The European Commission has adopted the project “multiannual financial framework 2014-2020” and the “budget for Europe 2020”.

In doing so, the European Commission formally introduced the assumptions that underpin the new programming period 2014-2020 and identified their relationship with the priority growth strategy in Europe. In order to clarify the assumptions underlying cohesion policy, the European Commission submitted a legislative package of proposals for consultation on 6 October 2011. Cohesion policy in the new programming period should support actions that stimulate economic growth, offset the divergences and consequences of the economic crisis. The policy is simplified, and its focus must be determined by modern effects. A significant change in this issue is the introduction of a general conditionality rule as one of the main instruments for improving the efficiency and effectiveness of interventions co-financed by EU funds of 339 billion EUR. The new programming period 2014-2020 of the cohesion policy aims to achieve two goals:

1. Investing for growth and job creation – covers activities that funded by the European Regional Development Fund, the European Social Fund and the Cohesion Fund – 96.5% of the planned costs.

2. European territorial cooperation-measures that funded by the European Regional Development Fund – 3.5% of the planned costs. Geographic concentration, although generally covering all EU territories, still includes some preferences for the backward regions.

As part of realization the first goal all European regions should be classified by GDP per capita into three groups: lagging regions – GDP per capita <75% EU average GDP – 50.0% of resources allocated to

goal 1, covering 119.2 millions of EU citizens; phased inclusion / exclusion of regions GDP per capita in the range: >75% to <90% – 11.1% of the resources allocated to goal 1, covering 72.4 million EU citizens; well-developed regions – GDP per capita >90% – 16.9% of the resources allocated to goal 1, covering 307.1 million EU citizens. In addition, activities undertaken within the scope of goal 1, regions of countries that characterized GNP below 90% of the EU average, will be supported by the Cohesion Fund (21.6% of the funds allocated for goal 1).

The intervention will be complemented by specific actions for remote or sparsely populated areas referred to in Article 349 of the Agreement on Functioning of the European Union and in the Agreement of Accession of Austria, Finland and Sweden to the European Union, with the support of 0.4% of the resources allocated for this goal.

The second goal will be pursued in transboundary and other geographically designated territories that covering transnational territorial cooperation. Given the limited budget the volume of this intervention will be more complementary and local. In addition to the two goals mentioned above is to be a significant concentration the implementation of the strategy “Europe 2020” – a strategy of smart, sustainable and inclusive growth [1]. As result interventions that conducted in the regions of the united Europe will be linked to the performance of the indicators that quantify characterize this most important strategic document in Europe. In order to target the activities undertaken by the beneficiaries of the cohesion policy in the draft regulation that establishing general provisions on structural assistance the European Commission proposes the following thematic goals [2]:

- strengthening research, technological development and innovation;
- increasing the competitiveness of small and medium-sized enterprises, the agricultural, fisheries and aquaculture sectors;
- supporting the transition to a low carbon economy in all sectors;
- promoting adaptation to climate change, risk prevention and management them;
- protecting the environment and increasing efficiency use resource;
- promoting sustainable transport and eliminating bottlenecks in key network infrastructures;
- promoting employment and supporting labor mobility;
- promoting social integration and combating poverty; investment in education, vocational training and lifelong learning;
- strengthening institutional potential and effective public

administration.

The outlined frameworks and goals of the new cohesion policy for 2014-2020 will be underpinned by many organizational changes, the most important of which are integrated strategic programming in the territorial dimension, based on many stock, common strategic frameworks and partnership contracts. An appropriate change that can lead to a significant increase in efficiency is the conditionality rule.

It will be based on both pre-conditions (accession condition, including concentration of actions), and pre-conditions (remuneration premium), as well as macroeconomic conditions (ability to suspend payments), which is most important in view of the current financial situation in Europe. Procedures will become more flexible and simpler, and financial instruments more accessible: a joint action plan and facilitating e-administration will limit the cost of implementing a Cohesion Policy.

Differentiated analysis of the state and dynamics of the socio-economic development of the EU requires a procedure that allows describing points (objects) in multidimensional space. Indices characterize the process of socio-economic development in partial approaches, covering the following aspects: population and settlements, labor market and structure of economy, technical infrastructure and spatial accessibility, financial status and level of well-being, innovative economy and business environment and the whole systemic approach. In the study may be use a Z-score index and a K-smooth cluster analysis. To determine the average standardized value of all indicators (characteristics that characterize the state of the objects) was used Z-score, a synthetic meta-indicator that measures the level of socio-economic development of each territorial unit. Subsequently, based on the Z-score index values, territorial units were classified using K-smooth cluster analysis. The method allowed to identify clusters that collecting similar values of Z-score taking into account the minimum possible dispersion of index values in each cluster. By means of econometric analysis were distinguished three groups of objects:

- relatively low values-defined as stagnation zones;
- average values;
- relatively high values-defined as growth zones.

The conclusions and recommendations and the results of this study allow us to draw the following conclusions and recommendations for the future cohesion policy for 2014-2020: special attention should be paid to increasing the level of innovation and development of the business

environment, since this factor strongly differentiates the economic space of EU member states, and also for the development of financial support for entrepreneurs, the World Health Organization (WHO) could be a significant beneficiary in the conditions of growing debt public finance and a decline their absorption potential.

To make this event more effective recommend use free, recycled assistance. It is also recommended to improve human capital interventions as they prove to be rather ineffective, as evidenced by the poorly differentiated population, resettlement, labor market and economic structure detected in the study. The spatial orientation of actions must be based on the conclusions drawn from the spatial distributions of socio-economic development at regional and sub-regional levels.

The new instruments of the cohesion policy that envisaged for 2014-2020, and especially integrated territorial investment, can make a significant contribution to form functional connections between growth and stagnation areas, creating effective conditions for polarization-diffusion model a bottom-up.

Also, for enterprises, operating in the market of mineral water those implementing innovative-investment projects should be created conditions for financial resources through the implementation of a special regime of economic functioning.

The state policy for the development of the mineral water market should be aimed at:

- expansion of the investment potential of small and medium-sized enterprises, access of enterprises to long-term borrowings for modernization and creation of new production facilities;
- strengthening of state control over implementation of regional and local programs for development of small and medium-sized enterprises and observance of approved volumes of financing of such projects, in particular, as regards providing financial-credit and investment support to enterprises;
- initiation of consideration by local self-government bodies of issues regarding establishment of real rates of local taxes, cost of patents, rent for the use of premises and equipment, differentiated by priority industries of economy; enhancing the efficiency of project implementation;
- increase the efficiency of implementation the projects of industrial enterprises in priority sectors of economy in order to create new jobs by providing explanatory and consultative work to regional and city state

administrations with food processing enterprises in the regions of Ukraine.

Today, Ukraine's economic integration is characterized by a lack of broad production-technological ties with EU countries, which is why Ukraine's exports are predominantly low-processed products. At the same time, in Ukraine from EU countries imported ready-made products, including investment purposes that are being with higher added value. Therefore, it is crucial for Ukraine not only to increase access to European markets, but also to use the opportunities obtained from the signing of the Agreement to reform and increase the competitiveness of the national economy, which should ensure the growth of exports of Ukrainian high-tech goods, and thus form the conditions for increasing the wages of employees on the basis of increase of labor productivity and thus increase of consumer demand in the domestic market [9].

Creating a platform for the development of integration processes in the industry in order to include enterprises in closed production cycles, which is advisable:

- develop the use of subcontracting schemes of cooperation by granting large corporations public procurement only if they place orders for the production of a certain fixed proportion of raw materials or semi-finished products in small enterprises of the industry;
- determine at the legislative level the legal and economic principles of cluster development and franchising, providing for state support for the creation and operation of these forms of cooperation in the food industry, with the participation of small and medium-sized enterprises in the industry. Thus, for rapid adaptation of the system of financial resources management of enterprises of production mineral water in the process formation of their growth is necessary:
- introduce an effective cost management mechanism in each unit of the enterprise, taking into account their peculiarities;
- strengthen the control over the use of funds according to their purpose;
- increase the level of interaction of financial-economic departments of the enterprise with the purpose of effective communications for the use of financial resources of the enterprise;
- developing a financial strategy of increasing its own financial resources through operations with borrowed and borrowed funds;
- create reliable information support in the form of strategic data bases, assumptions and forecasts (this is a brief systematic description of

the most important strategic elements related to the external environment of the enterprise, which is used to determine the manifestation of processes in the future and to make strategic decisions);

– carry out on a permanent basis economic analysis activity of the enterprise, having formed in advance an information-analytical base;

– increase the volume of investments in fixed capital; increase the volume of net exports with its improved structure, which will ensure the production of quality and competitive products;

– introduce an innovation-investment model of economic development.

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**QUALITY EDUCATION AND
PROMOTE LIFELONG
LEARNING OPPORTUNITIES
FOR THE DEVELOPMENT OF
HUMAN CAPITAL: THE CASE
OF UKRAINE**

Human capital consists of the knowledge, skills, and healths that people accumulate over their lives, enabling them to realize their potential as productive members of society. The benefits of human capital for countries and societies transcend private returns, extending to others and across generations.

The most important investments in human capital are education and training.

The general level of human capital of a country, which includes knowledge, skills and abilities of the labour force, is considered to be one of most important factors of innovation. It can be improved with education which is commonly supposed to positively influence innovation (Kaasa, 2016).

Becker Gary (1993) also confirm that the earnings of more educated people are almost always well above average (Becker, 1993). But, education and training investments take years to yield results and return (Skills forecast trends and challenges to 2030). The components of the Human Capital have close links with the Sustainable Development Goals, because in today’s conditions, inclusive and equitable quality education and promote lifelong learning opportunities for all; healthy lives and promote well-being for all at all ages are significantly affect the development of human capital and becoming important issues. Investments in human capital have become more and more important as the nature of work has evolved for achieving the Sustainable Development Goals.

By developing and using human capital individuals, corporate sector, and countries are received social development, sustainable economic growth and employment, effective management, which are in line with Sustainable Development Goals.

Transforming our world: the 2030 Agenda for Sustainable Development (Transforming our world: the 2030 Agenda for Sustainable Development, 2015) is a plan of action for people, planet

and prosperity. Universal Agenda consists of the 17 Sustainable Development Goals and 169 targets, which integrated and indivisible and balance the three dimensions of sustainable development: the economic, social and environmental.

The major concern and key challenges to sustainable development are: poverty; enormous disparities of opportunity, wealth and power; gender inequality remains; unemployment, particularly youth unemployment; global health threats; frequent and intense natural disasters; spiraling conflict, violent extremism, terrorism and related humanitarian crises; natural resource depletion; climate change and others.

Today, significant progress has been made in meeting many the above development challenges. Continuing development priorities are poverty eradication, health, education and food security and nutrition.

A key to escaping poverty is education enables upward socioeconomic mobility. Good quality early childhood education is one of the best investments a society can make in its children – one that builds a strong foundation for learning in later years.

At the global level, early childhood education has been found to be one of the strongest determinants of a child's readiness for school, in both high-income and low-income countries (The Sustainable Development Goal indicators, 2019).

According to the fourth goal of Sustainable Development: “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all” by 2030:

Ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes;

Ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education;

Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university;

Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship;

Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities;

Ensure that all youth and a substantial proportion of adults, both men

and women, achieve literacy and numeracy;

Ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development (Transforming our world: the 2030 Agenda for Sustainable Development, 2015).

Also build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all; and substantially increase the supply of qualified teachers, including through international cooperation for teacher training.

In Ukraine, sustainable development issues are also relevant. A number of documents were adopted at the state level. The Sustainable Development Goals of Ukraine for the period up to 2030 are the guidelines for the development of draft forecast and program documents, draft regulatory acts (Pro Tsili staloho rozvytku Ukrainy na period do 2030 roku, 2019).

A list of tailored targets, indicators to be monitored and their projected values for 2020, 2025 and 2030 are in the National Report of Ukraine "The Sustainable Development Goals: Ukraine" (Sustainable Development Goals: Ukraine / National Report).

In Ukraine, as in other countries of the world, it is determined that quality education is a means of getting a decent work, especially for young people, lifelong learning is needed in order to be competitive in the labor market and acquire the necessary skills.

At the same time, a study of the level of compliance of sustainability reporting of companies with Sustainable Development Goals attainment at the national level regarding indicators that disclose information about human capital shows that a set of tasks that human capital development provides, and indicators to monitor the performance of such tasks, are identified at the mega level (Guidance on Core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals, 2019). However, in Ukraine at the macro and micro levels, most of these indicators are not adapted.

Today in Ukraine the quality education and promote lifelong learning opportunities can be estimated by indicators as quality, equity, accessibility, participation and universal encouragement (Table 7.2).

Table 7.2

Indicators of development of education in Ukraine

Indicators	2015	2016	2017	2018	Target set for 2020
1	2	3	4	5	6
1. Number of general secondary education students per teacher at the beginning of the school year	8,50	8,77	8,90	9,15	-
2. Net pre-primary enrolment rate for children aged 5, %	70,6	69,8	69,5	69,2	80,0
in the urban area	77,4	76,8	76,4	76,7	
in the countryside	57,4	56,0	56,1	54,7	
3. Share of households whose members suffer from a lack of money to enable any member of the household to receive vocational training, %	84	93	76	85	-
4. Number of university towns, units	-	1	4	4	
5. The cost of training a specialist, UAH					
average cost per student	27548	29142	32820	39883	-
average cost per graduate student studying remotely	15350	16410	17799	30449	-
average cost per graduate student studying on a permanent basis	36040	38906	48216	70309	-
average cost per doctoral student	49349	57784	67968	118473	-
6. Higher education institutions expenditures on scientific activities, millions	345,1	381,8	430,3	467,4	
7. Enrolment rate of adults and youth in formal and informal forms of education and professional training in the last 4 weeks, % of population aged 15–70	9,2	9,0	8,7	8,6	10,0

Table 7.2 (continued)

1	2	3	4	5	6
15-24 years	55,9	56,5	57,6	59,4	
25-64 years	0,8	0,9	0,8	0,8	
women	8,8	8,4	8,1	8,0	
men	9,8	9,6	9,3	9,4	
8. Share of the population who reported using the Internet over the past 12 months, %	48,9	53,0	58,9	62,6	59,0
in the urban area	58,4	62,7	67,7	70,1	
in the countryside	30,3	34,1	41,7	47,8	
9. Share of men among school teachers, %	14,79	14,40	14,32	13,38	17,00
10. Share of rural full-time secondary schools with Internet access, %	85,9	89,0	91,1	91,5	85,0
11. Share of rural full-time secondary schools with computer software training, %	72,3	95,1	96,6	98,2	-
12. Share of full-time secondary schools with inclusive education, %	-	8,98	16,17	24,45	-

Source: compiled by the author

Based on the presented analysis of the indicators of development of education, Ukraine has such achievements as

- Level of school enrolment;
- The literacy rate of the adult population;
- No significant gender or social inequalities for any educational levels;
- Gross tertiary education enrolment rate; average length of education.

However, the increased number of educational opportunities in Ukraine is due to the lower quality of educational services in a number of institutions, and the structural deterioration of the infrastructure of the educational system continues. The social and economic effects of the commercialization of education are becoming worse, and the areas of educational inclusion and education for life are currently still in their infancy (Sustainable Development Goals: Ukraine / National Report).

Obviously, Ukrainian education today does not meet contemporary needs of the individual, the society, or economy, and does not follow global trends.

According to the research conducted by Department of Economic and Social Affairs of the United Nations (2019) at the global level recent decades have seen improvements in basic reading and writing skills and a steady reduction in gender gaps, with women's literacy rates growing faster than men's literacy rates in all regions over the past 25 years. But,

More than 55 per cent of the global total – lacked minimum proficiency in reading and mathematics in 201; the learning crisis not only threatens an individual's ability to climb out of poverty, it also jeopardizes the economic future of entire nations as they struggle to compete in a global marketplace with less-than-skilled human resources; in Europe and Northern America – 14 per cent;

The participation rate in early childhood education was 69 per cent in 2017, up from 63 per cent in 2010; in Europe and Northern America – 95, 32 per cent;

The global literacy rate for adults (15 years of age and older) was 86 per cent in 2016, compared to 91 per cent for youth (15 to 24 years old) (The Sustainable Development Goal indicators, 2019).

Nowadays, we can see a growing importance of innovation growth in the context of knowledge development and promote lifelong learning opportunities for all.

At one time Becker Gary proved that, high school and college education greatly raise a person's income, even after netting out direct and indirect costs of schooling, and after adjusting for the better family backgrounds and greater abilities of more educated people (Becker, 1993).

According to the World Bank, investing in human capital is the priority to make the most of this evolving economic opportunity. Three types of skills are increasingly important in labor markets: advanced cognitive skills such as complex problem-solving, socio behavioral skills such as teamwork, and skill combinations that are predictive of adaptability such as reasoning and self-efficacy. Building these skills requires strong human capital foundations and lifelong learning (The Changing Nature of Work: World Development Report, 2019).

In most EU countries, government policy over the past few decades has encouraged investment in human capital, especially young people staying on in education beyond compulsory schooling to continue their studies at tertiary level. Skills are regarded as a key element in policies

to maintain economic growth and productivity, as well as helping to address a range of other social and economic issues (Skills forecast trends and challenges to 2030).

With regard to the Ukraine, country has gradually created its education environment. In the future, Ukraine needs to create an attractive and competitive national education system that will ensure:

First, the integration of Ukraine into the European space;

Second, respect for citizens' rights to quality education and promote lifelong learning opportunities.

Therefore, it is required to adopt the positive experience of others countries such as:

1. Substantially expand access to early childhood education. The pre-school educational system needs to function fully by providing quality care, education, development and training for all children regardless of their health status, place of residence or family wealth (The Sustainable Development Goal indicators, 2019).

2. To improve the secondary education, because the secondary education is an investment in the future of country; school is what forms the mindsets of children, who will eventually govern the State and take responsibility for its economy.

3. Providing equal access to high-quality general secondary education and government support to students with special education needs at their residential address.

4. Improving the efficiency of resource allocation by focusing on and demonstrating results, including through expenditure reviews, governance reforms, and program effectiveness, results-based financing of education.

5. Increasing resources for human capital through resource mobilization or reallocation. a new model of financing of education of students in Ukraine must includes such components as transformation of the system of state financing of education; activation of public-private partnership; development of private investment and others. In addition, it is advisable to close tax loopholes and exceptions, improve revenue collection, explore excise taxes, and remove or reform regressive subsidies.

6. Promoting the integration of universities and research institutions through the financing of joint projects.

7. Supporting the activities of the National Research Fund of Ukraine, introducing grants to support science activities from the general fund of the national budget.

8. Supporting the activities of the National Agency for Higher Education Quality Assurance.

9. To approve the list of core indicators that should be disclosed by companies on the contribution to the Sustainable Development and to the development of human capital.

10. Ensuring lifelong learning by drafting and submitting the Law “On Adult Education to the Cabinet of Ministers of Ukraine”.

11. Engaging citizens in improving the delivery of public services (including educational services) and active financing of human capital development and others.

To sum up, the development of human capital is significantly influenced by education. The presented results support the necessity of education reform in Ukraine. At the same time, they indicate the appropriateness of using of the experience of other countries in the process of improving education and life-long learning.

To promote inclusive and equitable quality education at all levels – early childhood, primary, secondary, tertiary, technical and vocational training, countries and companies must provide access to life-long learning opportunities for all people, irrespective of sex, age, race, ethnicity, and persons with disabilities, migrants, indigenous peoples, children and youth, especially those in vulnerable situations. A new model of financing of education of students in Ukraine must include such components as transformation of the system of state financing of education; activation of public-private partnership; development of private investment and others. The new knowledge and soft skills needed for the development of human capital and for sustainable development.

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**COMPARATIVE
REVIEW OF THE
CONCEPTUAL
FRAMEWORK'S
STRUCTURE**

The Conceptual Framework for Financial Reporting was developed to provide guidance to **the International Accounting Standards Board** – to assist the development new and revising existing standards based on consistent concepts, resulting in financial information that is useful to investors, lenders and other creditors; **the national regulatory authorities** – to develop accounting standards; **the preparers of financial reports** – to apply IFRS on practice, for example, auditors – when forming an opinion on compliance of financial statements with international standards, or to develop consistent accounting policies for a specific transaction or event where no Standard is applicable or Standard allow a choice of accounting policy; **the users** – to understand the financial statements and interpret Standards; **all persons** who are interested in IASB activities (Kesjan and Mullinova, 2017). This document is not part of IFRS but is directly related to them. The Conceptual Framework is rarely the main point when analyzing financial statements, and yet it is at the heart of every accounting standard ensuring consistency of terminology, recognition, and measurement (Rodgers, 2007). Everyone must learn this document before beginning to work with any IFRS or IAS. The Conceptual Framework contains a comprehensive set of concepts for presenting and preparing financial statements, creating and interpreting IFRS. In other words, the Conceptual Framework is the foundation of new accounting standards because this document resides in providing structure to the standard-setting process and to provide fundamental concepts and a common set of terms and premises that financial accounting standards are based upon (Gore and Zimmerman, 2007). The purpose of a Conceptual Framework for financial reporting is to ensure that financial accounting standards are “consistent with a unified theory of accounting” (Gore and Zimmerman, 2007, p. 30). Despite the stated importance of the Framework the accounting community could not have the one globally accepted framework. Given the purpose and importance

of the Framework, a global Conceptual Framework could assist the IASB in achieving their mission “to develop a single set of high-quality, global accounting standards that are accepted worldwide” (Barth at al., 2008, p. 1161). The need and search of a single set of global accounting standards and a global Conceptual Framework are well documented (Barth at al., 2008; Zeff, 2010). However, the general consensus within FASB and IASB is that the Conceptual Framework fails to achieve the stated intended purpose. The current status of the Framework does not reflect the specified importance and purpose as is clear in the statement from the IASB (IASB, 2010), A19: “*This Conceptual Framework is not an IFRS and hence does not define standards for any particular measurement or disclosure issue. Nothing in this Conceptual Framework overrides any specific IFRS*”. The Conceptual Framework is thus in status lower than IFRS because if you wish to decide on the financial reporting of certain transactions, you need to look into the appropriate standard first, IFRS or IAS. Sometimes, it may even happen that the rules in that IFRS or IAS standard will be contrary to what the Framework says. Even in cases where there are conflicts between the Conceptual Framework and IFRSs the IFRS prevails over the Conceptual Framework (IASB, 2010). The paper has a deep literature analysis of different researchers’ and scientists’ opinions in this field in Section 3. There are considered the main reasons of impossibility to have a common global Conceptual Framework.

According to the mission of the International Association for Accounting Education and Research (IAAER), it is must “*promote global excellence in accounting education and research, and to maximize accounting academics’ contribution to the development and maintenance of high - quality, globally recognized standards of accounting practice*” (AAA, 1936). This paper reports on interpretive research to understand the major changes in the Framework in 2018 which are including comprehensive changes to a previous document issued in 1989 and partly revised in 2010. The previous Conceptual Framework (2010) was criticized for its lack of clarity in the role of measurement uncertainty, the exclusion of some important concepts as guidance on measurement, presentation and disclosure, and for being outdated in terms (an asset and a liability) of the IASB’s current thinking. The revised Conceptual Framework (2018) took effect immediately for the IASB and the IFRS Interpretation Committee; annual periods beginning on or after 1 January 2020 for preparers who

develop accounting policies based on the Conceptual Framework (IFRS, 2018). While revising the Conceptual Framework, the IASB sought to reinforce high-level concepts with sufficient details to develop standards and help to interpret the standards. The paper has also analytically reviewed the new structure of the Conceptual Framework of March 2018, particularly the content changes as the updated definitions and recognition criteria for assets, liabilities and clarify some important concepts, and the effects of the major changes to some implications towards future direction of financial reporting.

All attempts to make international accounting standards closer, to build a global conceptual framework have positive and negative results. On one side (negative), the conflicts between FASB and IASB cause every time not only the structural changes in the two conceptual frameworks of the IASB and the FASB but also make changes in accounting standards, some meanings, and names of definitions. To figure out the reasons for these disagreements, the relevant articles with the opinions of scientists have been reviewed. In short, the following of them have been highlighted:

Firstly, the reasons are connected to CF's respective historical developments considered here. The main of these are going to be identified: (1) the presence of other more urgent issues in IFRS, (2) the changed priorities while the long period of time. The different priorities were also due to the influence of legal organizations such as the SEC. Historically the boards of FASB and the IASB (3) maintain their own existing literature and deal with their own respective legacy standards and conceptual frameworks (Barth et al., 2008).

Secondly, two different boards are under different political pressures (Barth et al., 2008). Deegan (2014) wrote that the legal/regulatory system of a country also contributed towards differences between financial reports, while Zeff called main reason of this the law enforcement.

Thirdly, the cultural reasons are cited to be the main contributing factor for differences between reports based on the same accounting standards (Macías and Muiño, 2011; Deegan, 2014). While the time the Boards have developed various styles of setting standards over the years regarding the levels of detail guidance provided by the Boards (Barth et al., 2008).

Fourthly, the language can also give different interpretations of terminology issues it can be considered as obstacles to converge accounting standards and can play a big role while refining the CF's

intended purpose. Besides the language barrier, Nodes (2014) summarized 17 reasons as external sources of influence.

Finally, context of the demand for a CF from an information economics perspective, the focus of the CF of financial reporting must also be the comparative advantage of accounting (which always produces information late in a decision process) over other, perhaps more timely, information sources (Christensen, 2010; Swapan, 2012).

All of these given above scientific opinions make our hypothesis that the disappointments between FASB and IASB will make new changes into the Conceptual Framework for financial reporting not only once in the future. All external environment reasons as culture, language, law enforcement as well as the policy will lead to international differences in IFRS interpretations, international accounting differences that will be shown into the contents of the CF. It confirms completely hypothesis (Nobes, 2014) even if the same financial accounting standards will be existing, the differences between financial reports may occur within given above reasons.

On another side (positive), all attempts to make international accounting standards closer and develop a unified Conceptual Framework gave also positive results. As evidence, there is the research of Kaminski and Carpenter (2011) the four active phases of the CF project of the IASB and the FASB for approximately six-years until July 2010. The results of their study indicate reducing the differences between the existing projects of frameworks. The scientists predicted the resulting new and improved conceptual framework will be the basis for the development of principles-based standards that are internally consistent and internationally converged (Kaminski and Carpenter, 2011). As stated by Cullen (2005), the common Conceptual Framework of the IASB and the FASB was necessary to make the accounting standards “principles-based”, because they could not be a set of conventions, but must be rooted in fundamental concepts. Consequently, the fundamental concepts would be the CF for standards on various issues to harmonize the financial accounting and reporting (Bullen and Crook, 2005). Johnson cited “*a conceptual framework provides the unity and consistency that is required and along with that, the direction and means to help in making those decisions. Without a set of unified concepts, standard setters are like a ship in a storm without an anchor.*” (Johnson, 2004). According to Pounder (2010), CF’s concepts tend to be “general in nature, broad in scope, and stable over time”. Therefore, he argued, in order to eliminate the need to restore core concepts every

time when it develops or updates, it needs “*by consistently referring to a stable conceptual framework, a standards setter is more likely to promulgate standards that are consistent with each other as well as with significant assumptions and constraints.*” (Pounder, 2010).

Therefore, all existing opinions of scientists and professionals in the field of accounting are of course very valuable and, they deserve scientific attention and respect. But the Conceptual Framework will still remain a relevant issue, incomplete and requiring constant updates, keeping pace with the times. This document, regardless of religion, politics, different cultures or countries, will change due to changes in the time and needs of users, organizations, and global business. Our opinion remains outside of any of the causes or consequences mentioned above. Of course, the language gives the problems in the interpretations of the accounting terms. But as Deegan (2014) noted: “the standardization of accounting standards will not necessarily lead to standardization in practice.” (Deegan, 2014), because even if the international accounting standards are the same, anyway differences into the cf will appear over time.

Comparative Review of the Conceptual Framework’s Structure

To consider a detailed comparison of changes in the structure of the Conceptual Framework for financial reporting over the years 1986-2018, a tabular method that can clearly show us the main changes in the content of the document, in its main parts and the content has been used. It was used the article (Swapan, 2012) as a basis, but with adding new changes in 2018. Next, each chapter in detail and the main changes in it using our own research method will be examined. As you can see, the comparative table of the IASB’s Framework for the Preparation and Presentation of Financial Statements issued on July 1989, the conceptual framework for financial reporting issued on 28 September 2010 and the Conceptual Framework for Financial Reporting issued on 28 March 2018, is shown in Table 7.3.

Comparing the structure of two previous Frameworks, it is able to observe the revised Framework is changed completely, including volume, amount chapters, and its placement. If to calculate the number of paragraphs of the three Frameworks, the body of the old Framework (1989) contains corresponding 105 paragraphs in total, whereas the Conceptual Framework of 2010 contains 4 chapters, 125 paragraphs in total (Chapter 1 – 21, Chapter 2 – 39, and Chapter 4 – 65). And the

Table 7.3

Comparative Analysis of Conceptual Framework's 1989, 2010 and 2018

Framework for the Preparation and Presentation of Financial Statements		The Conceptual Framework for financial reporting		The Conceptual Framework for financial reporting	
1	2	3	4	5	6
July 1986	Para	September 2010	Para	March 2018	Para
Preface	1-4	Introduction		Status and purpose	SP1.1 - SP1.5
Purpose	5	Purpose			
Scope	6-8	Scope			
Users and their information needs 9-11		CHAPTERS		CHAPTERS	
The objective of financial statements	12-21	1 The objective of the general-purpose financial reporting	OB1-OB21	1 The objective of the general-purpose financial reporting	1.1-1.23
—	—	2 The reporting entity <i>to be added</i>		<i>It is added to Chapter 3</i>	
Qualitative characteristics of financial statements	24-46	3 Qualitative characteristics of useful financial information	QC1-QC39	2 Qualitative characteristics of useful financial information	2.1-2.43
—	—	4 The Framework (1989): the remaining text		3 Financial statements and the reporting entity	3.1-3.18
Underlying assumption	22-23	Underlying assumption	4.1	—	—
The elements of financial statements	47-81	The elements of financial statements	4.2-4.36	4 The elements of financial statements	4.1-4.72
Recognition of the elements of financial statements	82-98	Recognition of the elements of financial statements	4.37-4.53	5 Recognition and Derecognition	5.1-5.33

Table 7.3 (continued)

1	2	3	4	5	6
Measurement of the elements of financial statements	99-101	Measurement of the elements of financial statements	4.54-4.56	6 Measurement	6.1-6.95
—	—	—	—	7 Presentation and Disclosure	7.1-7.22
Concepts of capital and capital maintenance	102-110	Concepts of capital and capital maintenance	4.57-4.65	8 Concepts of capital and capital maintenance	8.1-8.10

Source: based on (IASB, 2010d); (IASB, 2010b: B1709-B1733); (Swapan, 2012); (CF, 2018)

Conceptual Framework of 2018 contains 8 chapters, 320 paragraphs (Chapter 1 – 23, Chapter 2 – 43, Chapter 3 – 18, Chapter 4 – 72, Chapter 5 – 33, Chapter 6 – 95, Chapter 7 – 22, Chapter 8 – 10). Besides chapters, the revised Conceptual Framework has a separate accompanying document “Basis for Conclusions on the Conceptual Framework for Financial Reporting” that summarizes the Board’s considerations and consists of the revised references to the Framework. Together with this, the IASB has also issued a separate document “Amendments to References to the Conceptual Framework in IFRS Standards” which sets out amendments to Standards for updating references to the CF. Particularly, the document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC (International Financial Reporting Interpretations Committee) 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 *Intangible Assets* (IASPlus, 2018). But these amendments include explicit references in some Standards or to the previous version, or to the revised version of the Conceptual Framework; or they indicate that definitions in the standard have not been updated with the new definitions in the revised Conceptual Framework. By the Board’s assumption, the amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort (IASPlus, 2018).

In most cases, the Standards simply update references to the revised Conceptual Framework. However, there are two exceptions: the first one is for IFRS 3 Business Combinations and the second one is for IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The

exceptions mean a concept use of the previous, rather than the revised, Conceptual Framework. The IASB's goal of both exceptions was to assess how IFRS can be updated without unintended consequences. According to the first exception, acquirers are required to apply the old version's definitions of an asset and a liability, to the second exception, entities are required to use the old version's rules when developing accounting policies for regulatory account balances, this avoids entities revising those accounting policies twice within a short period: once for the revised version of the Framework and again for a revised Standard (IFRS, 2018, p 15).

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CONCLUSION

In the context of global changes one of the most important factors for the successful functioning of economic systems is the formation and developing of a strategy for the sustainable socio-economic development of economic entities. The transition to a model of sustainable socio-economic development largely depends on the existing potential of expanded reproduction of the resource base, socio-economic recovery on a new institutional and technological basis. The experience of advanced countries and the consequences of structural and systemic restructuring of most segments of the economy indicate that real shifts in the direction of creating the prerequisites for the sustainable development of economic systems are possible only if building up not only production, but also natural resource, demographic, scientific, technical, recreational, information and socio-cultural potential. That is, we are talking about all the components of socio-economic potential, as well as the human factor and institutional changes in the system of economic relations when choosing priorities for the transition of national and regional economic complexes to a model of sustainable development.

The results of the author's research in a collective monograph are devoted to solving the problems of formation and implementation of strategies for the sustainable socio-economic development of economic entities and the mechanisms for their realization in the global dimension based on the implementation of modern innovations and managerial decisions.

An important component of the collective monograph is the developing of basic principles, approaches and strategic directions for rationalizing all components of use the resource potential of economic entities in the context of increasing the efficiency of using the socio-economic potential of sustainable development based on an assessment of self-sufficiency the economy.

The presented results of the research in a collective monograph reflect the theoretical and practical aspects of the implementation of mechanisms for the realization of strategies for sustainable socio-economic development of economic entities in different sectors of the economy.

It has been established that ensuring the effectiveness of the formation and realization of strategies for the sustainable socio-economic development of economic entities in the context of global changes is based on improving the process of management the innovative development of an enterprise.

Sustainable development of a socio-economic system is its ability to reduce the negative influence of external and internal environmental factors on the processes occurring in it, using structural and qualitative changes of the system as opportunities to realize additional competitive advantages, while keeping the progressive nature of development and maximizing the full realization of the system reserves, expressed in the internal potential.

The goal of management the sustainable development of an enterprise as a socio-economic system should be to ensure a state of internal equilibrium and balance of interchange with the external environment, which will contribute to the optimal adaptation of the system (enterprise) to the external environment and create conditions for continuous development.

The results of the research indicate that an important aspect of the transition of the economy to the principles of sustainable development is the formation of organizational-economic mechanism for management of sustainable development processes as part of the overall system of development management in general.

Formation and further realization of the approach to the management of socio-economic systems are largely dictated by the use of traditional and conventional economic development factors, which have lost not only their importance, but also efficiency, and the necessary force of action.

Traditional management methods are not effective enough in a dynamic external environment. Sustainable socio-economic development implies the alignment of the short-term goals and interests of different groups and individual entities with the long-term strategic goals determined by the requirements of internal development.

Ensuring sustainable socio-economic development requires investment in the creation of new technologies, first of all, the emergence of social innovations, changing priorities and goals of civilization development. In the context of globalization, dynamism of external and internal processes, there is a need for a fundamental understanding of management theory in the conditions of transition to the principles of sustainable socio-economic development and the formation of ecological systems, as well as the development of theoretical-methodological provisions and methods of management in modern conditions.

The mechanism of sustainable socio-economic development is a set of organizations, institutions, forms and methods for harmonizing interests at different hierarchical levels, ensuring balanced and proportional development of subsystems within sustainable development and

preserving the integrity of the socio-economic system. The specificity of function the mechanism for management of sustainable socio-economic development is that the actions of the management entity are always determined by both the laws of social development and the laws of nature. Methodology management of sustainable socio-economic development should be a comprehensive, coordinated approach to the assessment, regulation and planning of measures to ensuring sustainable socio-economic development in modern conditions under the influence of external and internal factors.

The high variability and dynamism of the market environment necessitate the introduction of measures at the enterprises aimed at maintaining the stability, adaptability and flexibility of functioning. However, the need to maintain a high level of competitiveness of national enterprises in the world market necessitates their sustainable development, which can be defined as balanced quantitative, structural and qualitative changes that meet the goals of the enterprise and take into account the constraints imposed by the external environment and potential of the enterprise. Sustainable development is possible only through the formation of an appropriate management mechanism, which should be understood as an integrated system of organically linked economic, organizational, social, financial and other forms and methods of management, ways, tools and levers of influence on the processes of functioning, which meet the parameters of the internal and external environment, restrictions and conditions of economic activity. The creation of such a mechanism should be based on the principles and methods of developing and realization of management decisions, certain objects and entities of development management, the well-defined management functions, selected structural elements of the mechanism and the considered features of their use.

A prerequisite for ensuring the progressive development of the enterprise is the choice of a rational strategy, which should ensure the improvement of the conditions of operation of the enterprise, ensure the full use of available resources and opportunities and, as we approach the boundary of the field of sustainable functioning, ensure the transition to a new qualitative state, thereby ensuring the correlation of evolutionary and revolutionary model development.

The process of innovation implementation and the realization planned of the enterprise transformation processes must be pre-planned and managed, which is possible in order to create an optimal change program. Its development should be based on the parameters of changes in the

work, certain variants of realization of the developed program and approaches to carrying out transformations, the proposed method of allocating resources for the program of development and taking into account the presented system of limitations.

Effective realization of the chosen strategy, conducting transformational changes, reduction of structural tension and overcoming of personnel resistance to innovations are possible only on condition of involvement of employees of the enterprise in participation in current management and establishment of strategic alternatives of development, expansion of processes of self-organization.

On the whole, the authors of the collective monograph have come to believe that in the current conditions, innovation and knowledge should become the main factor of economic growth. Ensure of sustainable socio-economic development will help to formulate an appropriate scientific-innovation policy in line with the strategy of sustainable socio-economic development of economic entities, which will ensure competitiveness in the conditions of globalization.

Strategies for sustainable socio-economic development and mechanisms their implementation in the global dimension

Collective monograph edited by
M. Bezpartochnyi

Format 60x84/16
Circulation: 300 copies
20,27 p.s.

VUZF Publishing House “St. Grigorii Bogoslov”

Sofia, 2019

ISBN 978-954-8590-64-8