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Part I: ACTUAL ISSUES IN MODERN PEDAGOGY

WHAT IS GOING ON WITH EMPLOYEES' PROFESSIONAL DEVELOPMENT IN UKRAINE?

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Abstract: The article describes the current situation of employees' professional development in Ukraine. The selected statistical data show that the situation leaves much to be desired. The author analyzes the most crucial legislative documents which ensure the professional development. The revealed problems are the absence of necessary laws: on adult education, on post diploma education; the scarcity of other documents which must regulate the financial responsibilities and their fragmentary character. There have been outlined prognostic measures to improve the situation, among them working out the necessary legislative documents; using the potential of informal learning by both employers and employees; conducting comparative scientific researches with the aim to find out the progressive ideas and to critically implement them into Ukrainian practice.

Keywords: employees' professional development, legislative documents, adult education, prognostic ways

INTRODUCTION

Today a matter of prime importance in the pedagogical domain has become the problem of adult education, particularly employees' professional development. Till recent time professional development has been regarded as an economic category that was under consideration within various economic disciplines. Nowadays it is a complex, multi-facet phenomenon which encompasses a wide range of interrelated questions such as pedagogical, psychological, social, and economic ones. It has attracted the thorough attention of pedagogues and educationists, thanks to its great educational potential. Due to the introduction of new technologies which resulted in rapid changes in all types of activities, no employee can do for long with his or her acquired qualification. The times when it was possible have gone to the past. Employees' vocational knowledge and professional skills need upgrading and continuous renovating. Only in this case, any employee stays competent, competitive and mobile. Hence, the question of employees' professional development is becoming acute and requires a detailed examination. First of all, it concerns the current state of this question especially in the countries which are developing. Ukraine, being such a country, is trying to integrate into the common European space. It is conducting reforms in all spheres and in the educational one as well. Thus, the research results of how the state supports and stimulates the continuous education and professional development of its employees can become a good indicator of successful settlement of the problem on the government level. *The objectives of the article* are 1) to analyze the Ukraine's legislation on the professional development of its employees; 2) to identify some ways of prognostic development of the problem in question.

MATERIALS AND METHODS

To achieve the mentioned goals the following resources have been used: Orders of the President of Ukraine, of the Cabinet of Ministers, of Ministry of Labor and Social Policy of Ukraine, Ministry of Education and Science of Ukraine; Laws of Ukraine and the drafts of the laws, the Concepts and National reports of the National Academy of Pedagogical Sciences of Ukraine. All of them are fully or partly related with the professional development of employees in Ukraine.

The research methods were: 1) the selective ones to choose the related laws, acts and other legislative documents; 2) the analytical ones to analyze the contents of the collected data

and 3) the prognostic ones to work out the ways of improving the situation with continuous education in Ukraine.

RESULTS

Originally, the legislation which supports the employees' professional development is believed to start in independent Ukraine with the President's Order from the 3rd of August 1999 (President's Order, 1999). It identified the major directions of labor force development in Ukraine. Among others, in the education sphere it was foreseen to develop harmoniously person's intellectual, moral and physical qualities, to ensure the labor market with skilled labor force through orienting vocational, higher and post diploma education to the training, re-training and upgrading of staff skills according to the regional labor markets; creating a system of continuous education and providing the possibilities for self-education (President's Order, 1999).

Starting with 2000, Ukraine has been performing a range of activities and has introduced some of the legislative documents related to the system of vocational training of workers, upgrading their skills and professional development. Thus, according to the Cabinet of Ministers' Order from January, 24, 2001 No 13 "On Measures for Encouraging the Organization of Staff Professional Development within Industry" (Cabinet of Ministers Order, 2001), the common Order of Ministry of Labor and Social Policy and Ministry of Science and Education of Ukraine from March, 26, 2001 No 127/151 (Order 127/151, 2001) created the Council of Staff On-the-Job Training, the plan of activities and methodical provision of such training were worked out. Though these documents refer to factory employees' training, they can be regarded as the first basic legislative document which regulates the professional development of the staff.

Generally, various aspects of employees' professional development are partly regulated by the following laws of Ukraine: "On Education", "On Vocational Education", and "On Higher Education". Their full texts are represented on the official site of the government (Parliament of Ukraine: Laws). It should be noted that these legislative acts do not cover either the features of working adults' training and learning, or identify the methods of stimulating workers to their learning and self-education. However, there have been observed positive changes in the volume of employees' up skilling. To compare: 6.2% of Ukrainian employees in 1996 upgraded their professional skills, in 2002 and 2004 this figure reached 8.0 and 8.3% accordingly (Concept of Development, 2010). The ratio of employees in 2007, as compared with 2006, increased by 80,000 people (it was 8.6%) and rose to 9.2% (Recommendations, 2008). In 2011 it reached 12.3% (Kharchuk, S.A., Remorov, Ya.S., 2012).

This tendency is represented on the *Figure 1*.

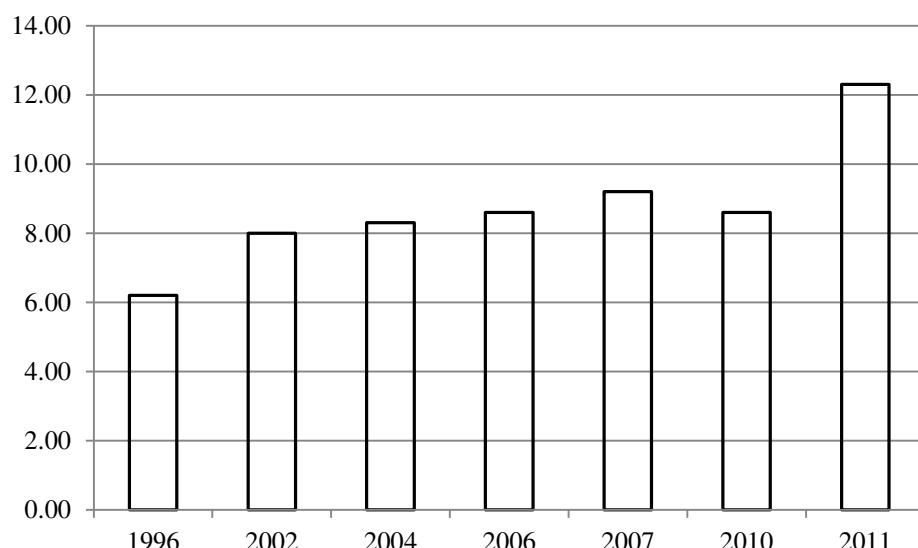


Figure 1: Number of employees in Ukraine who upgraded their professional skills
Source: systemized by the author with the help of [5-7]

DISCUSSION

As *Figure 1* shows, the number of employees who upgraded their skills is slowly but inevitably increasing. Alongside, these indicators are much lower from the average indices in the developed countries, e.g. the periodicity of employee's up skilling is approximately once per five years in Europe, and once per year and a half in Japan (Vakulenko, O., 2012). At the same time the average periodicity of improving employees' skills in Ukraine is by 2.5 times lower than it is required, and in some industries (agriculture, wholesome and retail trade) even by 10-20 times lower (Concept of Development, 2010). It means that the level of employees' professional skills does not meet the demands of modern production; hence the system of upgrading skills needs to be developed and reformed. Something has already been done in this direction, particularly the Ministry of Labor and Social Policy in collaboration with the Federation of Employers and the Federation of Trade Unions of Ukraine worked out the Concept of Development of Employees' Upgrading Qualification System for the Period to 2010 (Concept of Development, 2010), and the plan of corresponding activities to realize it. Above-mentioned documents are the foundations to the Law of Ukraine "On Professional Development of Employees" which was adopted by the Verkhovna Rada on January, 12, 2012 (Parliament of Ukraine: Laws). It outlined the mechanisms of domestic staff professional development. The Law points out such major directions as: 1) project of current and perspective plans of employees' professional development; 2) creation of curricula for employees' training; 3) definition of types, forms and methods of employees' on-the-job training; 4) training of the pedagogical staff for conducting on-the-job training for employees; 5) encouragement of employees' professional development; 6) provision of upgrading employees' skills either at the employers' or at educational establishments not less than once per 5 years; 7) assessment of employees' job performance after training (Parliament of Ukraine: Laws).

In spite of the availability of the Law on Employees' Professional Development, it coordinates the professional development only of those who work in factories and plants. Besides, this Law does not identify the financial responsibilities which results in employers' unwillingness to pay for their staff training. As employees are adults, it is necessary to analyze the legislative documents which regulate adult education. However, Ukraine has not had the corresponding law and the rest of documents for adult learning are also scarce despite extreme importance of continuous education nowadays. Adult education especially the one of the employed can bring a lot of benefits for the production activity and for the employees' self-education, as well as for the society, in general.

Hence, the prognostic ways of improving the current state of employees' professional development in Ukraine are, *firstly*, working out and adopting the law on adult education and on post diploma education, the lack of which deteriorates the state of employees' professional development in Ukraine. *Secondly*, employers and employees should exploit the potential of informal learning for improving employees' professional knowledge, skills and competences. *Thirdly*, it is necessary to undertake scientific comparative researches to learn the progressive experience of the developed countries and to implement it into Ukrainian practice.

CONCLUSION

All above-mentioned gives the basis to conclude that the employees' professional development in Ukraine faces with a number of problems and challenges. The most crucial of them are the absence of corresponding laws and the scarcity of other normative documents which must regulate its mechanisms. But nevertheless, it is worth remarking that the situation with employees' professional development is gradually changing to the better which the statistical data proves.

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FOREIGN LANGUAGE TEACHERS AND STUDENTS OPPOSITE ICT IN FOREIGN LANGUAGE TEACHING AND THEIR ACTUAL PROFILE IN ALBANIAN EDUCATIONAL REALITY

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Abstract: *The modern teaching of foreign languages has brought the breach with traditional methods and the inclusion of new digital technologies in the learning process. The teachers and the students are facing the challenges of teaching through the use of ICT. Their actual profile in Albanian educational reality has changed, because the teacher can affect significantly the learning of foreign languages, accelerating the acquisition of the learning process and create a rich learning environment. The more work is done in the classroom with ICT, the more the student is in the center of the activity as the ICT provides new opportunities by increasing the autonomy of learning and teaching while discovering.*

The article evaluates the advantages and the challenges faced by teachers and students opposite foreign language teaching with ICT, were held questionnaires that were intended to provide a general overview of the use of new technologies in the educational environment of Albania, to examine the attitudes, the expectations and the obstacles of Albanian teachers of foreign languages, for the integration of Internet tools, and for teaching foreign languages. Also to provide an overview on the current profile of the teachers and students, there have been developed two questionnaires addressed both to students and teachers. The analysis of data showed increasing interest in the use of ICT by teachers and students in school, as well as outside and to highlight the challenges faced by the two actors of the process, the teachers and students.

Keywords: *ICT, challenges, advantages, skills, profile, teacher, student*

INTRODUCTION

Today, the world we live in cannot be perceived without the use of informational and communicational technologies (ICT). The education sector in Albania has implemented the teaching of foreign languages by using ICT to enhance the quality of teaching and to improve the results of the work and achievements of the students.

Many projects of the Ministry of Education and Sports and organizations operating in Albania have repeatedly encouraged teachers and students, through various trainings, to apply the use of modern technologies in teaching. When the digital technology is used, the presentation becomes more visually interesting and the projection on the wall attracts the attention of the students. The use of new technologies in education ensures quality, ICT should be considered as a good opportunity to brainstorm teachers and students so that they are not just memorizing scientific data, but also to become creator of ideas to achieve concrete results, especially in the fast acquisition of foreign languages. When ICT is used, the students' imagination increases, thereby is facilitated the absorption of the concepts, the information and the knowledge. Regarding the advantages of technology in the theoretical framework of teaching foreign languages, Byron Reeves and Clifford Nass (1996, 5) have stated that "the interactions of people with computers, television, the Internet and other media, essentially have a natural and sociable character, the same as everyday life interactions". Noting the role of these funds, it is reinforced the idea that these can contribute significantly to the acquisition of a foreign language because, teachers as well as students, feel that interaction with these tools resembles the relationship between people.

Recent studies have shown that ICT is seen as a potential mean of communication in the process of learning a foreign language. According to Kern and Warschauer (2000, 1-19) "The foundation of socio-cognitive and socio-cultural approaches toward researches conducted for

learning foreign languages through computer is the potential of ICT to function as a facilitating tool for interaction and communication between people". Steve Thorne states that the use of Internet technologies depends on the culture of using them, which is related to how technology is perceived and used in different social contexts. The potential of ICT in teaching of foreign languages is related to pragmatic and socio-linguistic aspects of teaching writing and speaking.

The fact noted by many scholars, who qualify communication through technology as promoters and developers of the socio-pragmatic and socio-linguistic features, is very important, as the technology itself, which allows the students to get involved in communication with native speakers. They have the ability to be aware that except of the foreign language text, they get in contact with varieties of unofficial linguistic or different linguistic registers.

MATERIALS AND METHODS

To recognize and analyze the experience and the problems in teaching foreign languages with ICT in the Albanian reality, we have undertaken a study with teachers in the city of Elbasan. The study was conducted during 2015 in two schools "Xhafer Kongoli" and "Luigi Gurakuqi" in Elbasan. This case study was attended by 52 teachers, selected randomly (32 women and 20 men of various ages). To conclude the questionnaire, the permission was taken from the Educational Directorate of Elbasan. The questionnaire prepared consisted of ten questions to the teachers. The data analysis was focused on the access and the frequency of Internet use, as ICT is integrated in teaching foreign languages, or have the teachers and the students the institutional support and what were the expectations, the challenges that teachers face in the process of teaching, advantages of the acquisition from the technology and whether they possessed the electronic competence in the use of ICT.

THEORETICAL FRAMEWORK

The ICT in Albanian educational reality is seen as a set of tools, electronic platforms that support all activities for learning the language, grammatical exercises, listening exercises, speaking and writing and communication activities. It is very important that in teaching a foreign language a great support has gained the interaction teaching model of foreign language learning (Long 1981, 259). According to Long, the foreign language is learnt best through social interaction. The same opinion is shared by researchers such as Pica, Kanagy and Falodun (1993, 11) who claim the "learning of a foreign language is assisted by social students interaction and their interlocutors, especially in their efforts during communication to reach the mutual understanding of each other's messages". According to researcher Robert Balke "... the value of the Internet lies in the fact that taking the form of a mean of communication based on the written text, it makes the student more attentive towards language forms ... serves as an incentive to increase the written product in a foreign language ... Internet is considered as a quite safe and reasonable discussion forum in a foreign language, especially for women and minorities ... as a more quite environment to practice foreign language ... as a channel widely used that provides opportunities for networking and global learning. It is also concluded that the exchanges in the network help students in classes of foreign language to be active participants and are more often included in the process of communication, to experience more pleasure and self confidence than the students in traditional classes (Blake 2008, 4)". Referring to, as a research source, the studies recently found that adolescents today use the Internet as a tool to communicate through instant messaging, and those in the form of written text (Blake 2008, 5). Communication through computer for adolescents, about 84% of them according to Blake, use the Internet without any problem and it turns out to be the most used and most favored for them.

RESULTS

The integration of ICT in the teaching of foreign languages can also be a challenge itself for the teachers, often they are skeptical or do not have the technological tools available, or have a poor Internet line at school. The teacher, with the technological tools available, creates a favorable environment and climate in order to develop the skills of writing, reading, discussing

oral and written texts and to hear the song and texts in foreign languages. The teacher takes the role of a quality observer in the selection of different materials and the student becomes an active participant in the learning process. But we must emphasize that on the other side there is the student who is interested to develop a different class unlike the traditional one where the student reads only foreign language texts and hears from films and tapes. The student today is very interested in developing a class of foreign language using ICT more and more. To develop a clearer picture about the application of ICT in the teaching of foreign languages the following questionnaire was formulated. The results of the questionnaire conducted with teachers are provided in percentage and graphics and the interpretation of the data gathered was done. The questionnaire has ten questions asked to the teachers which are as follows:

QUESTIONNAIRE 1

1. How much do you know about ICT? How do you assess your electronic competence?
(From 1 to 4 in increasing scale)

The answer was: over 50% of the respondents have estimated their level as high.

2. In your work environment, do you have access to Internet tools? Do you use Internet for educational purposes? How often?

100% of the respondents appear to know knowledge regarding Internet and it was found out that the use of it for work purposes depended on the age group, professional status and the environment inside and outside of the classroom. 10% of the teachers *regularly*; 35% of the teachers *often*; 40% of the teachers *rarely* and 15% of the teachers *never used it*.

3. In my work I use Internet for these learning activities (inside and outside the classroom). Please specify: Regarding the integration of ICT in language learning activities, firstly, we found a low level of Internet use in the classroom.

Types of activities: Information collection for homework or research projects (80% of users), finding materials/exercises to develop linguistic skills (60%), literature review, research and scientific publications (72%) and activities to motivate students (48%) and these, in most of the time, were carried out outside the classroom in interactive environment.

4. I have used the below Internet tools to work with students: a) Surfing the Website; b) Online reference sources (dictionaries, encyclopedias, etc); c) Email; d) Blog, wiki, podcast; e) Chat; f) Word processor (MS Word); j) Video conferences...

Teachers respond to possess a good knowledge of Internet tools and their capacity for the realization of language. The most popular tool results to be the *website* (100% of users), the *reference sources* (77%) and *email* used by a limited number of teachers (19%) for linguistic purposes for the benefit of the teaching work. Deficiencies result in the recognition of pedagogical values of tools such as *blog*, *wiki*, *podcast*, and *videoconferencing*, which in Albania are little known or not known at all, and regarding their use in the teaching of foreign languages, they are totally unknown.

5. How informed are you regarding the legislation, possible policies or strategies related to the integration of ICT in the curriculum of foreign languages (Rate: 1-4)?

Responses of teachers: 65% – 1 (insufficient information), 23% – 2 (adequate), 12% – refused to answer. In building long-term plans for the implementation of technology in teaching foreign language, it is determined the exclusion of the teaching staff and not taking their opinion.

6. How would you assess the technological infrastructure at the institution where classes take place (1-4)?

The teachers gave an average 2 to technological infrastructure in the workplace (adequate). In Albanian education reality, the Internet speed in the school is very low, there are few computers, and there is no Internet connection and computer in every classroom.

7. Are you trained to integrate ICT into the teaching of a foreign language? (Rate 1-4 of the degree of technical training and pedagogical integration of ICT).

Respondents expressed their disappointment. 56% of them gave negative ratings of 1 (unsatisfactory), 34% gave 2 (adequate), and the rest, 10%, refused to answer.

8. Are you for or against the application of ICT in the teaching of foreign languages

in the classroom? Give 2-3 reasons.

The analysis of survey results show the positive attitude of Albanian teachers, 75% were *For*, 15% *Against* and 10% *Suspicious* on the use of ICT in the teaching of foreign languages. Age plays a role in the integration and application of ICT. About 95% of teachers under the age of 40 think positively about technology. They ranked as the main reason: it's motivating power (78%), faster acquisition of the language competence (56%), exposure to real situations and native speakers (60%), integration of language skills (40%), socio-cultural background (37%), high degree of interaction (43%), promotion of autonomous learning (23%), providing authentic materials (35%), ease of access (10%), etc.

The reasons *against* were also different. People over 40 years (70%) have more radical positions against the application of ICT. Difficulties and problems that accompany the use of ICT and the Internet in teaching are almost universally accepted. The positions of the critical character are associated with the deficiencies of the Albanian context of teaching. Thus, 70% of opponents think there is time for this kind of reform, 60% of them prefer traditional forms, 40% raise the problem of inadequate infrastructure, 30% of them relate it to the overload teaching, 50% the lack of long-term training, 35% have failed in the past, 25% point out the waste of time, while 14% did not hesitate to justify their position in the absence of adequate monetary compensation.

9. Which tool would you prefer to use and apply more in teaching: ICT or text?

About 60% of respondents gave text the primary importance; 10% believe that ICT can replace not only text, but can also exceed it, while 30% think that the combination of both would be the ideal tool for success in learning foreign languages. The teachers concluded that age plays a role in the responses; teachers over 40 years were more loyal to the traditional forms while 85% gave priority to the text.

10. What are your expectations about the place of ICT and your role as future teacher of foreign languages?

The teachers were generally optimistic. About 78% of them believe in the success of the integration of ICT in teaching. Some of the teachers surveyed, about 42% were suspicious of the way it will be achieved in the Albanian education reality, with many educational problems, lack of cooperation between colleagues within and outside the institution (in forums, etc.) related to Internet in foreign language teaching.

The profile of Albanian students is that of adolescents around the world who spend hours and hours in front of the computer, on the Internet by navigating and search for information, to make projects, tasks or to chat on viber, messenger, whats app, chatting by using various social networks as we are surrounded by technology. And what is the opposite profile of their foreign language teaching with ICT? For this purpose, a survey was conducted to school students in Elbasan which were attended by 202 students, 102 were girls and 100 boys selected randomly. The questionnaire served to collect data in the context of the application of ICT in teaching foreign languages. Questionnaire were handed out to students coming from different schools, "Sul Misiril", "Naim Frashëri", "De Rada", "Qemal Stafa". The age of students surveyed was 16, 17 years.

QUESTIONNAIRE 2

1. Did you use the computer during secondary school (compulsory)?

Only 22% of the respondents answered "yes".

2. If the answer was "yes", explain briefly what was the main purpose of using the computer at school. The students answered that they used the computer mainly to practice the basic knowledge of MS-Office like (MS-Word, MS-Excel, MS-Power Point).

3. Mark the true answer/answers for you (I type fast on keyboard; I type almost fast; I type slowly).

8% of the respondents answered *I type slowly*, 27% of the respondents answered *I type fast* and 65% of the respondents answered *I type almost fast*.

4. I have access to a computer at school but there is no Internet; I use the computer at home which is connected to the Internet; I use my personal laptop at school to be online.

10% of the respondents answered *I do not use computers*, 40% of the respondents answered *I have computer at home connected to Internet*; 50% of the respondents answered *I have a computer at home but I do not have Internet*.

Additionally it was necessary to fill in each gap with a number: I spend: _____ hours a day in front of a computer. Results were: female students spend from 2 hours (40% of users) to 5 hours (60% of users) a day in front of a computer; male students spend from 3 hours (30% of users) to 5 hours (70% of users) a day in front of a computer.

5. *What do you use to communicate with your friends? (I speak on the phone; by SMS; by e-mail; Chat; In discussion forums; by Skype)*

Results were: 3% of the respondents use e-mail for communications with friends; 7% of the respondents use Discussion Forum; 8% of the respondents use Skype; 22% of the respondents use SMS; 30% of the respondents use Chat and 30% of the respondents use mobile phone.

6. *I have learned to use computer with the following ways: (by myself; through my friends; at school; other (in private classes))*

Results were: 60% of the respondents learned to use computer at school; 20% learned to use computer through their friends; 15% of the respondents learned to use computer by themselves; and 5% of the respondents learned to use computer in other way.

7. *How much in % of your time do you spend online for the following: (Linguistic goals; Communication; Information; Entertainment)?*

Results were: 50% of the respondents spend online for communication; 30% spend online for entertainment; 17% of the respondents spend online for getting the necessary information and 3% of the respondents spend online for linguistic goals.

The survey results show that the technology is used less in the Albanian educational reality, its application and integration of the classes of foreign language remains isolated and not well oriented by the teacher.

8. *There is a computer in the class. Will you want to use it in the classes for foreign languages? Show briefly why would you want to develop classes of foreign language with ICT or why not.*

The given answers were very interesting because students rank as the main reason the pursuit of image and voice, real communication in the foreign language, learning is attractive, motivating, more qualitative and in such teaching environments, the student can show his skills and be active.

DISCUSSION AND CONCLUSIONS

The more work is done in the classroom with ICT, the more the student is in the center of the activity, as ICT gives new opportunities by increasing the autonomy of learning and teaching discovery. According to the American Institute of Service, there should be around 700-1320 classes to acquire a foreign language and to achieve higher levels (Blake 2008: 1-2).

If students have no real contacts and real situations, they are not arising in a foreign language communication, not only the environment but also outside class promotion comes only through the use of technologies to have real contacts in foreign languages. Technology fulfills its mission better than just the text of reference of the foreign language.

The Internet remains a source of information and communication as very important for the students; they can have access to authentic materials in foreign languages. They can be virtually in the native country of the language that they are studying and also it provides a channel to express the voice, to promote the image etc. Analysis of data collected from the questionnaires showed that despite the availability of funds and the recognition that teachers and students have, the tools of ICT and Internet, these tools results that are underused in learning environment and as a result in these conditions Albanian education reality results difficult in the integration of the new technology in the teaching of a foreign language, its implementation remains isolated, unorganized, systematically, misguided by the teacher and without methodology.

This is a typical situation for all public schools in Albania. The technology offers authentic materials for greater interaction, to study and to increase the independence. The role of ICT also

encourages the promotion of linguistic accuracy, which must be considered the essential goal of acquisition of a language. The use of technology makes children more susceptible to errors and more cooperative. Technology provides teachers and students a lot of valuable resources as authentic material, it is an opportunity of communication and interaction and promotes and encourages the development of communicative and linguistic skills. The teachers and the students involved in these questionnaires showed that they had the skills and technological competence and know how to use it as a form of interaction between them but not enough in the classes of foreign languages, teachers and students should be encouraged to enrich their computer and electronic skills they should use more ICT, emails and websites as well as those pedagogical tools that have values such as blog, wiki, chatting and video conferencing.

These tools of the Internet should be used as much as possible in all the activities for linguistic purposes. We concluded the use of technology outside of class environment which indicates a low student teacher and tool interaction. Most teachers have a positive attitude towards integration and application of ICT in the teaching of a foreign language, but they must have the institutional support and infrastructure to feel motivated to use the technology, to train and to qualify in order to be adapted for the XXI century challenges.

But there are negative attitudes towards technology, where age affects teachers and their level of professional qualification. Young age of the teachers accept positively the technology in classes of foreign language but need continuous training and qualification of teachers and cooperation among colleagues. Albanian educational reality requires special attention to teaching own context of foreign language and should be supported institutionally and technologically. Changes in teaching of foreign languages are a process that is not conducted within a short time. It needs a clear vision, cooperation and support between the actors of the learning process and mutual will. Albanian schools should endeavor to achieve reform standards for changes to become vulnerable and thus the change will be really productive.

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GENERATIONAL CONDITIONING OF TEENAGERS – THE RESULTS OF EMPIRICAL RESEARCH CONDUCTED IN K.M. USZYŃSKI STATE PEDAGOGICAL UNIVERSITY IN JAROSŁAW (RUSSIAN FEDERATION)

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Abstract: The author of this article has presented the results of international research on the axiology of German, Polish and Russian teenagers. An attempt to interpret some elements of these comparisons has also been made. At the beginning of the article a summary of the way in which reformed II degree German secondary school operates has been given. In order to be able to effectively manage an educational process, we have to understand firstly what values teenagers are directed by. Only then will we be able to not only conduct classes, but also to use the right arguments and strive to achieve aims set by young people.

Keywords: education, teenagers, axiology, Federal Republic of Germany, Poland, Russia

INTRODUCTION

A concept of setting up a diagnostic survey is justified. Many years ago P. Włodkowic Higher School in Płock has established collaboration with the institution referred to in the title of this article. A relevant agreement was signed on October 30, 2006. On the basis of this mutual scientific cooperation agreement the International Institute of Intercultural Relations has been founded. Regular meetings of Polish personnel in Russia and Russian personnel in Poland take place. The author of this text is the director of this structure on the Polish side. This activity enabled to organize a training and research trip to Jarosław in spring 2013¹. A perspective of getting to know the opinions of young people on such fundamental topics as the freedom of lecturer choice, values considered to be the most important in life, the familiarity with the social and educational changes in Germany seemed to be very interesting.

Dear reader, would certainly ask why the name of this country appears in this part of the article and why this happens in an educational context?

MATERIALS AND METHODS

Germany is a country in which, in the course of obtaining a baccalaureate certificate, far-reaching quality changes were in education. On July 7, 1972 the Permanent Conference of Ministers of Culture published the so-called *Bonn Agreements*. A full name of this document is: *An agreement concerning the creation of a new form of II degree upper secondary school (Vereinbarung zur Neugestaltung der gymnasialen Oberstufe in der Sekundarstufe II)*². It changed fundamentally the state of II degree secondary education (it is an equivalent of upper secondary schools in Poland). A fundamental change consisted in student's own conscious choice of teachers with whom they want to learn the selected subjects.

RESULTS

Shortly after the reform has been implemented, young people had absolute freedom of choice of subjects they want to take as part of their Matura exam. This was in the 1970's and the 1980's. With time and experience, Permanent Conference of Ministers of Cultures has introduced some limitations, e.g. taking an exam in German became obligatory. However, the idea of 1972 itself has been preserved till today. At present only reformed II degree secondary schools have been operating. They prepare their students effectively not only for their Matura exam, but also for studies at higher universities.

¹ Institute of International Relations has organized numerous scientific trips before. The most interesting of them include *an international seminar and trainings improving the qualifications of educational management of Astana*, organized between 16 and 21 May.

² Arno Schmidt (1994), Das Gymnasium im Aufwind, Ed. 2, Aachen-Hahn, Hahner Verlagsgesellschaft, s. 356.

The term "Permanent Conference of Ministers of Culture", KMK³ for short, needs to be explained. It was founded in 1949 and consists of all ministers of culture of 16 lands of Federal Republic of Germany, who are responsible for the shape of education in their lands. This is a fundamental issue related to the right understanding of the educational system of this country. There is not a uniform educational model in the Federal Republic of Germany. Each land, in line with its cultural tradition, has its own educational system. It is subject only to the minister of culture of that particular land. The rules of its functioning are set out in line with constitutions of lands and legal acts of national parliament and government. The educational system of the Federal Republic of Germany is therefore fully decentralized. It is not surprising that as a result of such conditions KMK was established. Otherwise, the Republic will be deprived of any possibilities of joint analyses, considerations, projects or proposals. The acts of KMK are only recommendations. To be put into practice, they have to be approved by parliaments and authorities of each land. Such situations as the one which took place on July 7, 1972 in Bonn happened very rarely. At this time all ministers of culture unanimously signed the act⁴.

The professional standing of teachers is also different. In Federal Republic of Germany they are public officers with all the consequential implications of this fact, e.g. they take an oath swearing loyalty to the constitution of a land, simultaneously becoming politicians in the service of the nation, parliament and national government...

What could be at the time a rationale for creating II degree reformed secondary school, making it possible to obtain the baccalaureate certificate and, most importantly, make choices freely (including the development of own critical thinking)?

A number of authors highlight that this would not be possible without events which took place in western European countries in 1968 without the so-called student revolution. It is this student protest which caused far-reaching changes of educational systems. Young people demanded equal treatment, freedom of opinion and "patency" of educational system, equal opportunity, avoiding situations in which educational career is not possible because of age...

Sample surveys, which I had the possibility to carry out in K.M. Uszyński State Pedagogical University in Jarosław on April 4, 2013, were related to the abovementioned issue.

The following question arises: How is it possible to ask Russian students, who probably have not heard about those events in Germany, to get their opinion about them?

The course of the meeting with students is of significance here. The study itself was preceded by a two hour lecture on the abovementioned topics given by the author of this text. Students had the possibility to both ask questions, which were asked frequently, and participate actively in classes as well as in a discussion. The topic did not appear to be anything new to them. They all had a chance to become familiarized with a book published on the topic and awarded in a university competition for best psychological-educational book⁵ organized at K.D. Uszyński State Pedagogical University in Jarosław. The fact that the edition which describes the educational system in Germany at the turn of XX and XXI centuries has been honored indicates high interest in the described topic.

The questionnaire used in the survey included 8 questions:

1. Have you ever heard of the so-called student revolution of 1968?
2. In your opinion, does the educational system in Russia use anti-authoritarian or authoritarian methods or both? (It was possible to underline one of the answers or add own answer).
3. In your opinion, rules and methods used in II degree reformed German secondary school are: interesting, can be introduced in Russia, they should not be introduced in Russia. (It was possible to underline one of the answers or add own answer).

³ Available at: www.kmk.org.

⁴ Andrzej Gałkowski (2009), System edukacji w Republice Federalnej Niemiec na Przełomie XX i XXI wieku, Płock, Wydawnictwo Naukowe NOVUM.

⁵ Andrzej Gałkowski (2013), Educational system in the West Germany at the border of XX-XXI century, monograph, Yaroslavl, Ministry of Education and Science VPO "Yaroslavl State Pedagogical University named after K.D. Ushinskiy, 180 p., ISBN 978-5-87555-760-6.

4. Do you think you would introduce a selective educational system in which young people make their own decisions about the type of knowledge, skills, competences etc. they will obtain in the educational system used in your country? (Participants could choose between "yes" or "no" answer or add own answer).

5. Do you think that a teacher should also be a politician? (Students could choose between "yes" or "no" answer or add own answer).

6. Do you think that the status of the teacher is sufficiently high? (Students could choose between "yes" or "no" answer or add own answer).

7. Read, select and underline 5 of the following values which you consider as the most important in your life. (A set of options to choose from as follows):

1. Power over other people; 11. Self-respect; 21. Being popular with opposite sex; 2. Moral rules; 12. Own views; 22. Certainty of tomorrow; 3. Love; 13. Health; 23. Strong character; 4. Friendship; 14. Resourcefulness; 24. Wit; 5. Happy family life; 15. Faith and religion; 25. Helping others; 6. Diligence and reliability; 16. Independence; 26. Courage; 7. Varied interests; 17. Tackling injustice; 27. Appearance; 8. Career; 18. Risk and adventure; 28. Ideals; 9. Education; 19. Peace; 29. Having knowledge; 10. Good profession; 20. Tolerance; 30. Tradition.

8. At what stage of education should a pupil (a student) have the right to choose a teacher or lecturer: never, in primary school, in secondary school or at university, in the course of university studies, always? (Participant could underline any of the answers).

Another not less interesting proof of participation in classes and interest in the German issues is a simple piece of paper covered with drawings which students gave to the lecturer (apart from a shared photo). This was yet another reason to come to the conclusion that atmosphere in the room when the survey was being carried out was nice, warm and friendly. It is worth remembering that at the time nobody heard of the so-called hybrid war in Ukraine.

In total 92 people (including 87.2% of young women and 12.8% of young man) have been examined. The average age in this population was 19.2 years.

The following results have been obtained:

1. 14 people gave a positive answer to the first question (15.2% of total participants). There was not a single case, where someone would leave this question unanswered. The remaining participants (78, which are 84.8%) have not come into contact with this information. On the basis of these data it can be concluded that the majority of young people has not heard about a number of ordered issued generally referred to as the "*student revolution of 1968*".

2. The second question was whether anti-authoritative or authoritative methods or both methods are used in Russian educational system. Of course we have to realize that this is an opinion of a clearly defined environment. Whereas 9 participants (9.8%) chose the first option, the second and third option was used by 23 (25%) and 47 (51%) participants respectively. In this case, however, 13 participants (14.2%) have not answered the question. These results show that in Russian educational system both methods are used equally. One questionnaire included a note that in Russia there is a "democratic" system. Nevertheless, has this respondent misinterpreted the intention of that question?

3. As far as methods used in reformed German secondary schools, 48 participants (52.2%) considered them as "interested". When it comes to introducing similar methods in Russian system of education, the opinions were more or less the same: 21 respondents (22.8%) were for and 18 respondents (19.6%) were against. In other words, more or less one fifth of participants believed that introducing a non-authoritative system in Russia would be impossible. A great number of people who chose the "interesting" option as their answer are surprising as it is more than half of respondents. We may assume that young people tried to avoid giving a clear answer or this issue seemed too complicated. This conclusion would not change even if we take into account the fact that only 12 respondents (13%) did not choose any answer.

4. In case of another question, which was an extension of the previous one, 82 people (89.1%) provided a positive answer. This means that the majority of respondents believed that introducing a selective educational system with a possibility to decide about someone's educational career is desirable. Only 2 persons did not choose any answer in this case.

5. Interesting results were obtained by means of the next question. Only 32 people (34.8%) have provided a positive answer, which was tantamount with agreeing that teachers should also be politicians. A single respondent has not given any answer; the rest of participants were against this idea (64.1%). As we can see, this is not an unequivocal issue in participants' opinion.

6. The following question focused on the status of a teacher in Russia. 56 participants (60.9%) considered it sufficiently high. This is a little bit more than half of participants. Only one person has not given his/her opinion about it. The remaining respondents considered the status of a teacher as sufficiently high. This happened even though the participants were familiarized with the obligations and rights of teachers in Federal Republic of Germany (the so-called civil service law, which is in effect there, gives substantial rights to this professional group. As already been mentioned, teachers are treated as civil officers with all the consequential implications of this fact, e.g. deduction for income tax of costs related to keeping a working place at home, legal protection and support...).

7. This part of the questionnaire turned out to be very interesting. The figure below presents the obtained results (*Figure 1*).

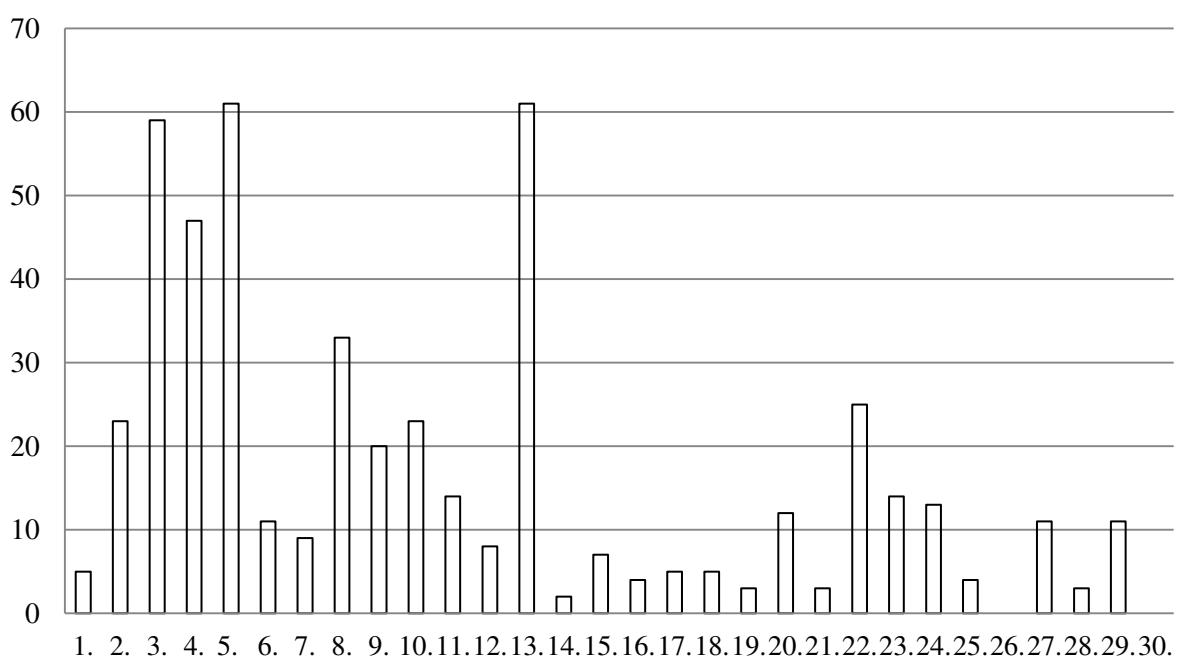


Figure 1: Values selected by Russian teenagers as most important in their lives

Source: researched by author

In order to make the choices made by a group of Russian teenagers clearer, we are going to list 8 values which, according to teenagers, are most important and, consequently, most often selected. This will be a kind of ranking: 1) Happy family life and health; 2) Love; 3) Friendship; 4) Career; 5) Certainty of tomorrow; 6) Moral rules and a good profession; 7) Education; 8) Self-respect. The abovementioned list consists of 8 positions since some of them (e.g. point 1 and 6) were selected by the same number of participants.

8. Students could choose 5 answers for question no. 8: never, in primary school, in secondary school, at university, in the course of studies, always. Education in which pupils (students) were able to make own selection of a teacher with whom they want to learn. The following number of respondents chose the following answers: never – 6 participants, in primary school – 41 participants, in secondary school – 27 participants, at university – 44 participants, always – 12 participants. Some respondents chose two answers: in secondary school and at university. 6 people did not comment this issue. The results of the conducted questionnaire become much more interesting if we try to make a comparison with another group of respondents. We will do it by making a reference to question no. 7, which was related to the selection of the most important values in live. An identical part of the survey has been used in:

1. W. Jagiełła Higher Secondary School in Płock in 1998. In total 194 respondents (66.5% girls and 33.5% boys) were examined. The average age of this population was 17.4 years.

2. In a reformed II degree Bertolt Brecht Secondary School in Darmstadt in 1998. In total 194 participants (56.7% girls and 43.3% boys) were examined. Also in case of this population the average age was 17.4 years.

The results of the questionnaire are symbolically presented below (*Figure 2*). The bottom part of the figure presents the so-called three "series" to which various textures were assigned. First of them are black and white stripes drawn at an angle of 45 degrees. This is the result of a questionnaire carried out in a Polish school. The black background with white dots represents German school and horizontal stripes represent a Russian school (which participated in the abovementioned survey).

The labels of the horizontal line which stand for particular values: 1. Power over other people; 11. Self-respect; 21. Being popular with opposite sex; 2. Moral rules; 12. Own views; 22. Tomorrow; 3. Love; 13. Health; 23. Strong character; 4. Friendship; 14. Resourcefulness; 24. Wit; 5. Happy family life; 15. Faith and religion; 25. Helping the others; 6. Diligence and reliability; 16. Independence; 26. Courage; 7. Varied interests; 17. Tackling injustice; 27. Appearance; 8. Career; 18. Risk and adventure; 28. Ideals; 9. Education; 19. Peace; 29. Having knowledge; 10. Good profession; 20. Tolerance; 30. Tradition.

The vertical axis of the figure represents part of the group which selected a particular value (expressed in %) in relation to whole population of teenagers taking part in the research (100%) in particular populations. If we have a closer look at the figure, we may notice that fundamental values such as "Happy family life", "Health", "Love" or "Peace" are highly appreciated in all three populations. However, there are some differences in this respect as well.

As it is visible on the basis of choices made, whereas young Germans value "Friendship" most, Russians prefer "Happy family life" and "Health" and Polish value "Happy family life" and "Love" the most. An analysis of less often chosen values seems to be even more interesting. Differently from the other groups, Polish value "Education" and "Resourcefulness". Germans, on the other hand, appreciate "Independence", "Tolerance" and "Good Profession". Finally, Russians value "Career" and "Certainty of tomorrow" highly.

Let's try to remember the definition of the term "value". It is used in the context of axiological considerations. Its definition is as follows: "*Value*, a basic category (...), meaning everything that is precious and worth wanting, which is an aim of human endeavor"⁶. If we are going to think in such a way about of the conducted analysis of results, then we must conclude that the most often chosen values are the ones teenagers strive to achieve. Simplifying this understanding means obtaining the best education as possible will be a motivation and a basis for acting for Polish students, German teenagers will strive to get a good profession (regardless of the level of education) and Russian teenagers will aim to make career and obtain the certainty of tomorrow.

Interesting is the fact that almost nobody in the German and Russian team has chosen resourcefulness. Only Polish teenagers value it highly. In reference to careers made in Germany, the so-called resourcefulness is not needed since all educational "ways" are very well described, specified and determined. Resourcefulness is not needed to exist, choose a profession that is well paid, educate yourself and live at the right level. All information is widely available. It is only necessary to make a decision and to act. The fundamental problem is to prepare teenagers well so that they are able to make an appropriate analysis and take good decisions. The way in which a reformed II degree German secondary school operates and the methods used there, guarantee that such an aim will be achieved. When we speak about Russian teenagers, providing an answer to the question why young people from this group do not value "resourcefulness" highly is much more difficult. It seems that social and political determinants determine exactly what educational and professional career pursues. "Resourcefulness" is also not necessary in such conditions. It is different in case of "health".

⁶ Encyklopedia Powszechna, Warsaw 1974, PWN, Vol. 4, p. 590.

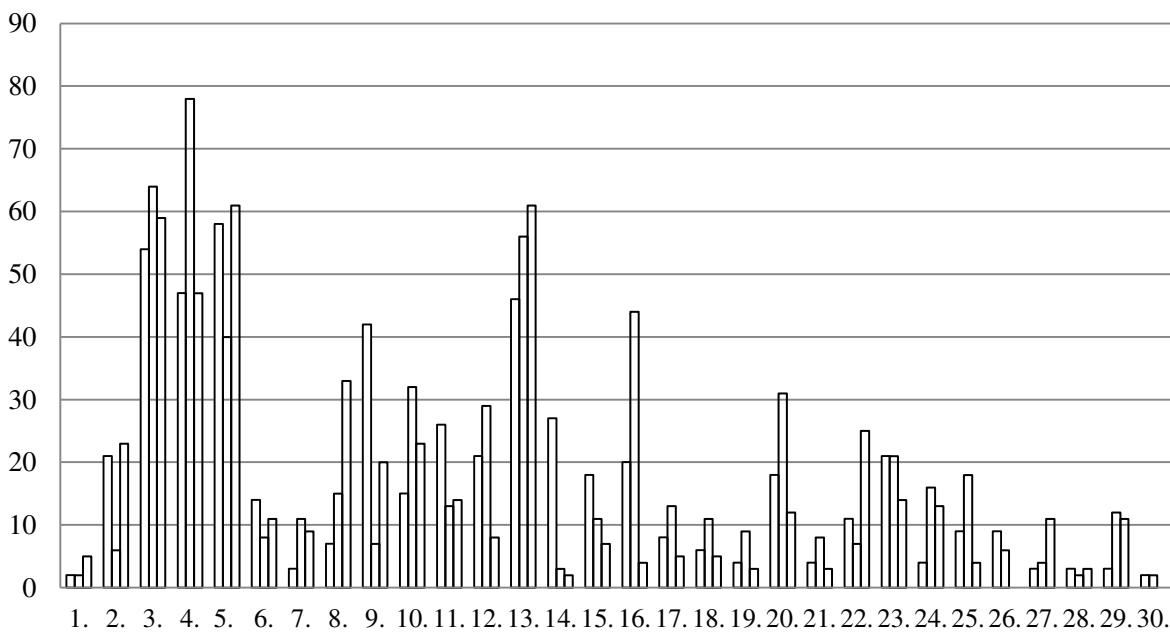


Figure 2: Values selected by teenagers as most important in life

Source: researched by author

All three groups have chosen this value very often. We may risk a statement that at schools of all three countries teachers and form teachers can easily refer to strive to be healthy in such a way that it will motivate them do take particular measures. All of this is compatible with what Józef Półturzycki wrote in his book: "Every willful and structured action, such as education, should start with presenting and taking a main assumption and aim of such activity. The aim refers not only to a particular task that has to be achieved, but also to a general direction of action and climate, where it takes place. These are values that are considered important and fundamental to take up a task"⁷.

DISCUSSION AND CONCLUSION

In order to be able to effectively manage an educational process, we have to understand firstly what values teenagers are directed by. Only then will we be able to not only conduct classes, but also to use the right arguments and strive to achieve aims set by young people.

Let's outline something briefly. We use the following argument of the Federal Republic of Germany: "you should read *Faust* by Goethe because it will help you to pass your Matura exam, get a good job and be independent" – this would be an effective means and motivation. The same words said in Poland will not have the same effect unless we use the word the word "education" instead of "independence". In Russia you will have to say the following: "you should read *Faust* by Goethe because it will help you to pass the Matura exam, get a good job, make career and ensure the certainty of tomorrow". It may seem that these are very subtle differences. However, we will start perceiving this in a completely different context if we realize that the educational system and all actions taken in it need to be taken consciously, in a planned manner and have to be carried out in a way which leads to achievement of set aims. Now we are entering an area of educational policy rather than education itself. It is educational policy which deals with setting long-term aims and which is related to numerous dependencies in terms of planning and implementing the political activity of a country. Simplifying this concept we may say that it is the authority which creates school (and the way they operate) rather than teachers. Modern understanding of educational policy is not limited to "creating" only. In German educational literature we find many definitions. One of them is as follows: "*Talking that policy, including educational policy, includes social wishes regarding its aims, belongs to the past. Now we have to include other aspects in policy, which*

⁷ Józef Półturzycki (1996), Dydaktyka dla nauczycieli, Toruń, Wydawnictwo Adam Marszałek, p. 37.

"put plans into practice": wishes are not enough anymore, we have to create structures and to start particular processes which will enable to achieve set aims. To be more specific, prudent looking ahead is tantamount to planning and organizing. Educational planning comes down to organizing the educational system into necessary structures, but if achieving educational and political results, it is not enough, it is important to discontinue the process"⁸.

Such approach seems to be a very accurate understanding of issues related to contemporary Polish education. Finally, it is worthwhile to quote the following proverb: "if only the youth knew, and the old age could act". A small modification of this proverb is enough to fundamentally change its meaning, e.g.: "If only politics knew and pedagogy could act".

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PECULIARITIES OF TRAINING UNIVERSITY STUDENTS FOR PROFESSIONAL WORK IN GAINING KNOWLEDGE IN ECONOMICS

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Abstract: The nature causal and consequences of the relations of economics and society of postindustrial education has been analyzed in this article. It defines the knowledge role as a factor of production and product. It was shown the possibilities of modifying educational processes for the purpose to prepare intending professionals to their professional activities in terms of the knowledge economy, which includes the such interconnected elements as: education and research components; research works and innovations; education and training; information and communication technology. It also was outlined the nature causal and consequences of the development of Smart-education, which is based on the principles of open educational systems: social orientation, mobility, accessibility, technological effectiveness and openness. It was proposed to use Mash-up technologies and social networking services combined with the info-graphic means that provide the functionality of human-computer interface in the process of e-learning. The necessity of implementing pedagogical functions of coordination, facilitation, moderation, mediation and control has been identified in this article to actualize the process of students' self-development during their studies.

Keywords: Smart-education, info-graphics, e-learning, Mash-up, knowledge economy, usability interface, surroundings of knowledge, content interface

INTRODUCTION

In the modern stage of social development, it is possible to clearly trace the interconnection and interrelations of human beings, such as economy and education. The education sphere becomes part of economic systems, where human capital including knowledge, is defining product in the sphere of economics.

ANALYSIS OF THE LAST RESEARCHES AND PUBLICATIONS

Problems of innovative development of economics' education were analyzed by V. Bobrov, A. Vyfleemskyy, V. Geyets, B. Gershunsky, V. Glukhov, A. Kolot, B. Mylner, O. Padalka, S. Stepanenko, L. Fedulova, A. Chukhno, A. Shlyayher, L. Yakovenko and others.

The peculiarities of building strategies of the implementation e-learning and e-pedagogy were examined by O. Andreev, O. Glazunova, T. Kameneva, V. Kukharenko, N. Myedvedyeva, P. Myedvedyev, N. Morse, O. Osin, E. Patarakin, I. Syemenova, O. Slyepuhin, V. Soldatkin, N. Tikhomirova and others. The theoretical aspects of info-graphics were highlighted by scientists such as O. Babich, Y. Vetrov, V. Lashkevych, I. Lutsyk, G. Nikulova, V. Osadchiy, A. Podobnyih and others.

The economics' dematerialization refocuses the needs of society for the production of material goods to production of services. And this caused the changing role of information and knowledge that became the traits of the main producing resource. As a result, the definition of knowledge as a productive force of economics' and social development emerged a specific education sector of the economy – the knowledge economy.

As a rule, the economy of knowledge includes the following interconnected elements: educational and research components, research and design works and innovations; education

and training; information and communication technology [1]. It means that modern educational processes in the global information space are determining for the future of the country and therefore they require examination in details in the aspect of the challenges according to modern society.

MATERIALS AND METHODS

Recently, especially clearly traced the tendency of the species changes in social relations, in particular the information society becomes quality of Smart (Smart Society) [2]. Under these conditions, it is supposed to use a wide variety of hardware (technical facilities) and Internet services, which will inevitably cause the result in qualitative modification of subjects' interactions, and as the result there will be changes in social, economic and other factors in human life. As a result there is a need in the development of Smart-education, which is based on the principles of open educational systems: social orientation, mobility, accessibility, technological effectiveness and openness.

Smart-education provides the possibility of taking knowledge based on their multidimensional and continuous updating of content. Namely, knowledge exists in different surroundings (it has a multimedia nature) and is displayed in the extensive system network and electronic resources that have properties of readiness and control characteristics, which requires active exchange of experiences and ideas for their mastery [3]. In connection with this, it was planned the trend to e-learning, so the part of audience (direct contact on a "teacher-student" scheme) classes decreased and the part of indirect and independent using ICTs is increasing. This process is objective because of training with the focus on the final conditions of application of knowledge, and such conditions for the modern generation are already digital surroundings [4].

It was foreseen the interaction between components such as teachers, students, content interface and system of knowledge to implement Smart-education.

The "Student" component may include students, who are studying full-time (traditionally or individual schedule of training), part-time or distance learning.

The "Teacher" component includes pedagogical staff of the educational institution, who are able to teach course material, to check the quality, quantity and timeliness of mastering this material by students; to organize the pedagogical support of the individualized educational process, including support of the individual programs or educational trajectories; to provide the students information, psychological, communicational, technical support in the learning process. The "System of knowledge" component includes complex of information, which is related to a particular topic or problems, provides a convenient representation of its individual elements and overall. The system of knowledge can exist on two levels: a system of structured knowledge as material objects (informational sources of printed and electronic type) and system of personality knowledge (general scientific, general cultural and subject knowledge, skills of the student). The "content interface" component can be considered as a set of tools, methods and rules of interaction (management, monitoring, etc.), which in their connection provide the possibility to design, save, transfer and use the system of knowledge and its individual elements.

At the same time modern learning process requires a script that captured and encouraged students to be creative and to do scientific activities. Training courses should be integrative: included media fragments, must be complemented by external content, developed independently by connections to various services, and allow the listener to create their own educational content [4]. The special importance is the process of replacing the linear structure of electronic learning resources (on Web 2.0) multilevel and multidimensional non-linear (on Web 3.0). Therefore, it is worth creating virtual subject-oriented surroundings with the help of Mash-up and social networking services that are appropriate for use in e-learning (the full list of educational web services collected online <https://sites.google.com/site/badanovweb2/>). In this way it is achieved not only multilevel but also openness of content. Attracting students to the process of its creation by providing the formation of experience, combining intellectual resources to virtual communities make it possible to receive new forms of collective knowledge. In addition, these joint students'

activities actualize the process of self-development, which in the nearest future will ensure the success of social production in the future professional activity.

Due to these facts, there is a need in the most schematic combination and presentation of large amounts of information in the form of smart-schemes, which are realized most effectively by means of info-graphics (combination of artistic drawings, graphics, and diagrams of other graphic objects on a paper and in electronic form). For the first time the ways of using the info-graphics in educational practice were presented in E. Taft's works, who denied the existence of the thesis that only readers who don't think need graphics and that statistical information is "boring" [5]. The information technologies development has expanded the application range of info-graphics and variants of its representation and allowed to create dynamic, controlled, interactive objects, to reconstruct different events and processes.

Smart info-graphics have a multilayer structure and moving cognitive structure turning students into co-authors of the new information. The main feature of info-graphic object is its ability to provide a large amount of different information in an organized, easy-to-understand form. So, unlike the visualization, which is general in nature and primarily generated automatically and is free of context, info-graphics have their own specifics, depending on context and are the result of manual work [5].

In addition, creating educational resources using info-graphic objects it is necessary take into account the psychological and physiological characteristics of the audience, to focus interest for a certain period of time. As far as in content formation of educational resources, the great importance is to control visual attention, depending on the degree of distribution which is caused by relative position of the information fragments, visually marked connections, interrelations, similarities or differences.

In general it promotes coordination of resources attention, ergonomic work with information that has a particular importance to educational resources. In the process of work with educational materials other info-graphic qualitative properties are also important such as the ability to show hidden or implicit, referring to the existing user experience and switching attention or its fixation on an important subject. In addition, info-graphics presupposes the existence of dynamics and the flow of action or thought. The flow of thought provides submissions to the object by quantitative ratios, trends, connections, which appear in memory and are processed at first at the surface and then at the deep level of consciousness. The flow of information is important in the context of developing the ideas (mental maps for brainstorming or hierarchical scheme), and in the context of the flow of action (technical drawing instructions) [6].

At the same time, the effective Mash-up providing requires intuitive understandable software surroundings. In other words, virtual education surroundings in terms Smart-unification were established on the principles of integration, they actualize the problem of human-computer interface in different sectors of social production. The most effective today is the technology of ergonomic design "interface usability" (ergo-design). The definition "usability" is regarded as a set of tools and methods which are used to improve the interface during the process of its development [7] and it's also seen as qualitative feature that determines how intuitively easy the user's interface is in use.

RESULTS

However, the success of joint training activities requires implementation of the tutor functions of coordination, facilitation, moderation, control and mediation, which will carry out teachers. The relevant tutor's role is conditioned by means of implementation of educational activities in virtual educational surroundings (software, hardware) related with information and communication technologies; in support of cooperation; functional orientation of educational activities, the nature of the subject-subject interaction between teachers and students (increasing their role in the learning process and the teacher becomes a manager of the educational content); content of the study design, the peculiarities of the presentation of training material, planning, coordination and accompaniment of students' activities, consultations, control and inspection tasks' quality.

CONCLUSION

Hence, strengthening the factors of interpenetration in such important spheres of human activity as the economy and education have caused the necessity in modification approaches to defining principles, methods and technologies of implementing educational activities, which has fully use of social aims, accessible and flexible tools of e-learning services.

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THE FORMATION OF ARTISTIC-CREATIVE SKILLS OF 6-YEARS OLD CHILDREN VIA PLOT-PAINTING

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Abstract: The article describes the urgency of an issue of the formation of artistic-creative abilities in 6-years old children. One of the main aspects of the preschooler's competence throughout the world of art is children's craft. Folk pedagogy and special study demonstratively show that pre-school childhood has valuable meaning in personality development although it composes only tenth part of human's life. It was identified that a way of artistic-creative abilities of over-fives is the capacity of plot-painting; a new method of children's testing has been designed. The art is considered as an essential condition of the pedagogic process, it is an objective necessity in pedagogue professional activity. In plot-painting a child artistically expresses all that affected her and initiated strong emotions.

Keywords: plot-painting, art, abilities, childhood, pre-school

INTRODUCTION

An art issue is highlight in philosophical, psychological and pedagogical aspects. An art can be interpreted as an active purposeful activity, which provides new and socially minded results within a context of specific culture and also encourages personal fulfillment and talent development [1].

Various native and foreign pedagogues and psychologies studied the subject of Art (E. Flyorina, E. Tiheeva, F. Fradkina, N. Aksarina, O. Zaporozhev, A. Usova, R. Zhukovska, T. Markova, D. Elkonin, L. Vygotskyi, O. Leontyev, L. Artemove, N. Kyrychenko, and I. Lykova etc.). Thus, S. Rubinshtein, V. Molyako, L. Vygotskyi, O. Zaporozhev determine art as an activity, where something new is formed, original, therefore it comes not only in the history of author development, but in the history of science and art development [5; 6].

The research of the Art subject in children of pre-school age has touched the formation of children's artistic skills in different types of art activity (musical, verbal, move, theatrical, game-playing arts etc.) [1; 3; 4; 5].

The national psychologist O. Zaporozhev argues that in the process of game-plot development, child achieves skills of an activity planning, build creative imagination which is essential in any other activity [2]. D. Elykonin assure that a game skill has fundamental importance in formation of activity, initiative, purposefulness, fantasy which further are necessary in successful education at school and work activities. N. Sakulina considers that a teacher should guide children's crafts; in drawing as the art appears in two different mainstreams: formation of graphic vision and its transfer to the illustration. Art as a creative work is one of the main concepts of human essence. The capacity for creative activity itself characterizes human individual, emphasizes ones uniqueness and psyche distinctness. These days the art becomes a necessary tool of man's professional and daily life.

MATERIALS AND METHODS

We have organized and conducted research work in pre-school educational institution "Vesnyanka" (Gadyach city, Poltava region) in the way of education the artistic skills level.

The artistic skills formation has been studied by means of the questionnaire survey on the first stage the issue. The object of the questionnaire survey was to elicit the estimation of the artistic skills in children of pre-school age by tutors and parents.

Parents were asked about their children's interests: "Does your child show the interest to imagine and fantasize?", "Does your child have enjoyment from the results of his/her creative work and creative process?"

The next stage of our research was to reveal the form of creative-art skills for 6-years old children; the goal was to: 1) match the survey techniques of level form of artistic and creative abilities for 6-years old children; 2) determine the development level of artistic and creative skills; 3) perform quantitative and qualitative analysis of obtained results.

Following methods were used have been used as: 1) surveillance over individual artistic activity of children of 6 years; 2) short Torrens test "Finish the picture"; 3) drawing creative task "Magic transformation of blot".

The task "Finish the picture" features a blank with painted geometric figures and designed to reveal the creative abilities in children. Children are provided with a task to finish the drawing in figures using additional lines to receive interesting items or narrative illustrations.

The drawing task "Magic transformation of blot" is a blank with pictured blot; it is designed to reveal creative imagination in children. Children are invited to imagine a task, what could happen to a blot, finish a drawing to get interesting items or narrative illustrations.

The children's skills were assessed upon following factors: 1) originality; 2) development (details, color, hatching, embellishment, decoration); 3) speed; 4) flexibility, expressed in different number of non-recurrent illustrations. The attention has been directed to: 1) the ability to establish a goal (plot); 2) the image facilities selection; 3) the planning of activities; 4) the accomplishment results and their consideration. Based on performed survey has been determined the criteria evaluation of development level of artistic-creative skills in children:

High level (B) – efforts and children's activity, which are equal the assessment performance of creative skills;

Medium level (C) – incomplete correspondence of efforts and activity in performance measures;

Low level (H) – insufficient correspondence or complete discordance of children's efforts and individual activity to estimated figures.

RESULTS

In consequence of childrengartner's survey processing we found that in 60% respondents have work experience over 3 years, in 40% childrengartners have work experience over 7 years. 90% of respondents have higher pedagogic education and 10% of respondents have undergraduate education. It helped to highlight that tutors devote fair amount care to develop the art in children.

After survey processing we have discovered that 83% of parents who have 6-years old children believe that they are creative and able to fantasize. Under the question "Does your child show the desire to imagine and fantasize?" we have received 93% positive answers and 7% answered "sometimes". But 33% of parents indicate that their child is not overcome by creative work. It should be emphasized that only 30% of parents are familiar with methodical literature; 76% of parents use literary to read and elaborate imagination and creative skills in their children and 23% of parents get to know with popular-scientific literature purposely to develop creative display in their children.

In the supervision course of children's task compliance, we detected that children choose traditional tools to draw (pencils, brushes and kid's paint) during individual artistic activity, although non-traditional instruments (tooth brushes, fibers, candles, cereals) were in the corner of individual graphic activity, but children were not using them. It is explained by the lack of experience in usage of such tools in art activity.

During the course of formative experiment the following lessons of narrative painting were conducted in senior group: "Magic dream of old Oak", "Let's paint the happiness", "The rain dance", "The magic blot transformation (blob of paint)", "Winter-fairy", "Our group", "Straight downhill I fall into a snow pile", "Snowman -wizard", "Little fox, sister and little fox godmother". Children attended lessons of narrative painting and narrative-illustrative painting. The creative engagements were selected with variations, in order that a child could choose such variant which is more suitable, because the success of final results depends upon interest. Before classes the preliminary work has been conducted, which aim was to observe different natural events, reading of literary writings, insight into different techniques and materials of artistic activity. Such lessons

helped to enrich child's experience in the perception and understanding of the beauty in nature and people's actions. It has affected the development of creative imagination and artistic skills that influence the results in children's creative works.

In consequence of control experiment realization we have found that general intelligence in artistic-creative skills in 6-years old children is advanced. Thus, performance of the task "Finish the drawing" showed that high factor of originality has pictures 73% of children in experimental group and 60% of children in control group.

The performed task "The magic blot transformation" has showed that high factor of originality has pictures 73% of children of experimental group and 40% of children of control group. We were able to achieve the enrichment of artistic-creative skills in children of experimental group (20% of children show high level of originality in managing tasks); while in control group the results were not found.

The most effective forms to prove results of drawing-experimentation were: art usage of the declamation and creative tasks, which can be recommended to pre-school educational institutions.

DISCUSSION AND CONCLUSION

The analysis of psychological and pedagogical literature testify that art issue study has been done by foreign and domestic scientists, which include such scientists as V. Molyako, V. Kotlyar, N. Sakulina, Ya. Ponomaryov, T. Komarova, V. Muhina, L. Venger, etc. Each scientist was interested in specific aspect of children's art issue.

The essential component of creative process is a creative pedagogy. Important conditions of effective creative abilities' development appear to be focus-evolving surroundings and extension of artistic-aesthetic background of pre-school age children. Suggested work system concerning the formation of artistic skills in 6-years old children by using narrative drawing is effective and should be extensively penetrate into the pre-school educational institution work practice.

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CURRENT ISSUES IN MODERN TEACHING OF JOURNALISM IN THE XXI CENTURY

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Abstract: *With the development of modern society and the restructuring of the Ukrainian education system, teaching journalism has an important role. At the present stage of development of pedagogy and journalism pedagogy as a whole, there was an urgent need to modernize the training of journalists. It is well known, by turn, influence of the media on people's minds, the formation of political, civil and social position in the society as a whole are enormous. Key information, which brings us to the journalist, is fixed in the mind of people and formulates a certain setting in human's mind. That is why the main components are the factors in the preparation of high-quality, highly skilled staff and the formation of journalist pedagogy. The status of teaching journalism in the XXI century in Ukraine is not a well studied problem; however, our research is the study of potential functions for students who learn journalism.*

Keywords: *pedagogical journalism, modernization of education, educational function of journalism*

INTRODUCTION

The purpose of the study is to analyze the journalist pedagogy, determining the main features that contribute to a stable dynamic development of the profession.

The object of research is journalistic pedagogy in the education system of Ukraine.

The subject of research is studying methods of pedagogical journalism in the modern education system and its function as one of the most important factors of stability of qualified journalistic personnel in the trend of increasing demand for expanding and strengthening cooperation restructuring of teaching media. The renovation of journalist pedagogy had begun since the end of the 1990s, the beginning of the XXI century. The development of this renovation was stimulated due to the emergence and implementation of new types of media and communications especially the Internet.

MATERIALS AND METHODS

The problem of specialized targeted training of journalists is discovered in scientific papers of M. Belousov, B. Yesin, M. Korneev, G. Lazutin, V. Lubashov, N. Ostapenko, V. Rizun, R. Haris et al. Problems of educational and moral character of the future media staff is researched in scientific works of N. Vasilenko, N. Vinogradova, M. Zakharchenko, S. Muratov and others.

A.M. Bulygin gave the definition of educational journalism as a phenomenon that includes: 1) the professional activity of specialists of the acquisition, processing and dissemination of relevant pedagogical periodical information; 2) the diverse products of those activities; 3) all distributional channels of teaching journalistic information; 4) the whole of professions within its framework; 5) the subject for teaching in schools [2].

Modern national scientific leaders mention several approaches of pedagogical journalism study. N. Bondarenko has emphasized pedagogical mission of journalism: mental-focus mission; cultural implementation of the mission; humanistic orientation, highlighting the issues of self-worth of the person; sharpened concerns about the fate of Russian enlightenment; ensuring spatial freedom of creativity in education; implementation of education of the creative personality [1].

Axiological approach is inherent in the humanistic pedagogy, because people are considered here as the supreme value of society and social development end in itself. With the change of social conditions and the development of needs the society and the individual, the pedagogical values are also transformed. Value orientations are one of the main "global" personality characteristics, and their development is the main task in humanistic pedagogy

and the most important way of social development. Axiological approach allows defining a set of priority values in education, upbringing and self-development of personality. Conformably to the social development of students as such can act the communicative value, sexual, national, ethnic and legal culture [5].

RESULTS

Consequently, there is a rhetorical question: *what exists for studying journalism pedagogy, what are its main features?* Researchers have identified a number of functions of journalist pedagogy. There are interactive, combining, culture-formulating and value-oriented functions. Interactive function means stimulating polemics among teachers, journalists and students who develop on the pages of specialized pedagogical magazines. As a result, there was a new practical and theoretical experience in the study of the subject.

The unifying function of pedagogic journalistic has made a unification of Russian schools, Russian teachers and students, a significant factor in the formation of a common educational and cultural space. The function is appealed to adapt professors and students to perceiving the flow of information, linguistic and social environment.

The effectiveness of the implementation of the unifying function clearly demonstrates readers' letters, published on the pages of pedagogic journals: "When I read the magazine, I immediately revived, I feel not lonely, abandoned far away, where I was in the most grassroots of society ... I felt like a member of a huge family, scattered across the face of the globe, tending to a higher purpose, to a single motto: all for science, all for powerful knowledge's victory" [3]. Value-oriented, according to V. Lubashov: "function was realized as a result of the impact of teaching journalism in the formation of ideas of readers according to the objectives and support of national values in children's education in emigrating researchers" [4].

Culture-formulating function of teaching journalism stimulates the function of the expansion of cultural horizons of teachers and professors, the student audience and journalists.

CONCLUSIONS

The relations between the journalist pedagogy and journalism reflect the scientific character which is expressed in all factors of scientific concept of journalistic pedagogy. Pedagogic journalism finds its significance in the humanitarian sphere.

In other words, the preparation of texts and defining its informational purpose relies on methods of objective cognition and comprehension of reality. Drawing conclusions concerning functions of journalist pedagogy, we can see that in social and pedagogical aspect it affects the outlook of the individual person, the educational disposition provides the material for thinking which emotionally affects the reader and raises important pedagogical problems.

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METHODIC ASPECTS OF TRUST RELATIONS FORMATION OF 5-6 YEARS OLD CHILDREN TOWARD PARENTS AND FAMILY MEMBERS

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Abstract: The subject of trust relations formation of 5-6 years old children toward relatives and acquaint adults were analyzed in this article. It has been established that main methods of work organization are: methods of moral consciousness formation (ethic discussions, narrations, reading of literary writings, explanation of moral behavior, interpretation of moral standards, persuasion, deliberation); methods of moral behavior formation (exercise in mode of actions, nursing the situation, mandate, creating success situations); methods of moral sense and motive stimulation (example, encouragement, advance trust, pedagogic appraisal). The influence of psychological lesson trainings, psycho-gymnastics, game techniques on the formation of trust formation in preschoolers toward parents and relatives was experimentally studied. Program of trust relationship correction in children was characterized. Experimental data outlined.

Keywords: form, method, ethic attitude, moral parenting, over fives, oversight, trust relations

INTRODUCTION

The subject of trust security is extremely challenging in contemporary teaching practice. Human form of relationships, based on trust, respect and patience to individual experience and value systems are more than needs in pedagogic activity. On condition that children will be able to trust others words, actions and values of adults, the mutual understanding and formation of spiritual basis can be achieved [1, 2, 3, 4]. As follows from the analysis of academic literature and performed experimental studies, it has been established that the formation of trust relationships in children of over-fives to adults is based on previously gained experience of communication, awareness presence of adult personal qualities worth children's trust, competence to elicit trust, character of mutual relations with parents and educators. At the same time it was noted that adult's attention to the problem is insufficient, but forms and methods that are used in educational work are not effective.

MATERIALS AND METHODS

Based on the mention subject, we assumed that to achieve research tasks it is necessary to define peculiar approach to the process of moral education. Research results of L. Artemova, L. Vygotsyi, L. Bozhovych, O. Zaporozhev, O. Kononko, M. Lisina and T. Ponimansyka testify that moral development of personality depends on the level of vision adoption of ethical standards, forms of moral sense and capacity for moral behavior.

That is why, to form trust relations we apply complex of specific methods of moral upbringing, determined by T. Ponimansyka [3, c. 123]:

- *formation methods of moral consciousness*, ethic conversations about trust and its place in life, narration about approval and unacceptable way of trust expression, reading of literary works, explanation of moral qualities of a person which can be trusted, clarification of moral qualities, rules of trust principles, persuasion, thoughts;

- *formation methods of moral behavior*: practice in demonstration methods of trust, example of trust by adults, making educative situations, explanation of pedagogic situations, commitments, making situations of success;

- *incitation methods of moral sense and motives*: example, encouragement to realization of personal mood, emotions and cheer of adults, advancing of confidents, moral support, pedagogic behavior rating, approval of kid's ethic acts.

RESULTS

The system of educational influence was reflected in intervention program "Steps of trust", at the heart of which entered: goal, pedagogic conditions, principals, destination of realization, forms and methods of work, and the result as a formation of child's trust attitude toward adults. Above mentioned program was time-tested in the course of experimental education work at preschool educational institutions in Glukhiv city.

The generated and implemented program was simultaneously carried out in three directions: enrichment of knowledge system about trust and trust attitude; habit training establishment and the support of trust relations; emotional sensibility development, the formation of axiological estimation of trust relations.

The syllabus includes the work with children, parents and pedagogues of preschool educational institutions and envisage the realization of complex pedagogical conditions: children's personal enrichment about trust, its reasonable amount, value in person's life; the formation of skills of trust in preschoolers toward parents, relatives and pedagogues; practice of parents and educators in competence of educe trust toward children of over-fives; increasing of family moral upbringing content and preschool educational institution ratio of open communication between adult and children and vice versa. Informatory aspect is produced with a cycle of 20 lessons, duration of each 30-40 minutes, and one lesson per week. Groups' formations were carried out in respect for detected challenges during consultative analysis phase. Along with a child, one of the parents attended the lesson (or in turns). In case problem of mistrust by a child associated with one specific adult we recommended him/her to visit all lessons. A quantity of members reached 5-6 pair (e.g. 10-12 people).

The structure of group session included the following elements: greeting ritual, psycho-gymnastic exercises, main content of a lesson (games, pantomimic exercise, and situations of moral choice), reflection and goodbye ritual. The stages of lessons carriage provided knowledge conformation, induction of new notions, skills acquisition of demonstration of emotional attitude towards adults and exercise in practical application.

In the following each of lesson's elements are described as:

- The greeting ritual helped to create the feeling of group trust and acceptance, also created attitudes which formed the feeling of community. For that purpose the exercise "Magic knot" was used, it was performed per clew. Kids were standing in a circle and passing around the clew in such a way that each held one. Passing was accompanied by wish to someone. Straining the fiber, children (or together with adults if it was a goal of a lesson) imagined themselves as an organic whole, perceiving that any one of them is important and significant in total.

- The warm-up functioned as a relevant emotional disposition, stiffening an activity, tuning on efficient joint activity. The content of a warm-up depended on group members akin to forms of trust and varied on each lesson. The following exercises were used: "Centipede", "Catch the latest", "Present a smile (gift)", "Compliment", and "The contest of boasters".

The principal content of lessons postured complex work forms, which permit to rotate the types of activities, emotional state of team members, considering individual needs of children and adults. Senior preschoolers received new information, fortified systematization skills and usage of previously gained knowledge; learning to express a personal point of view on acts of fairy tale characters' formed an attitude to personal deeds or relatives (pedagogues). Systematization of knowledge derived by the way of extension and specification and deepened the ideas that children had at the time of formation stage. Multiple references to the notion, its consideration in different real-life situations and analysis of its interpretation in fairy tales structured and adjusted the knowledge of children. Thus the subject of each lesson, developed by a personal author, envisaged staged insight into notions and habit training trust-based cooperation on the principle of "from simple to complicated", e.g.: "Who is a trustful person?"; "Who deserves our trust?"; "Alphabet of communication"; "Rules of trust"; "Trust to strangers"; "Trust to relatives and friends"; "Me in eyes of others"; "Act and consequence"; "My point of view", etc.

If it's necessary (in order to counteract the tension or fatigue; and during passing to other activity) the "imp minutes" were carried out.

The reflection envisaged the wording of lesson assessment by usefulness and importance of analyzing information and received emotional fulfillment.

- The goodbye ritual formed in lessons' participants the feeling of integrity and work completeness. The children summarized received information; drew up a conclusion, and expressed ethic rule (conclusion).

In class the parents and relatives were involved, which helped to create conditions for gaining experience of trust cooperation in joint activity, increase the time for intimate communication, coordinate the negative image of adult in child's conscious. Therefore, joint lessons, games, exercises, "home tasks" made connections, bond participants, paid attention to the problem of trust between parents and children, encouraged the re-thinking of attitude toward individual needs of preschoolers. Performing task with children brought relatives to understand the necessity of support expression, sympathy and compassion, which in turn stimulate to revise personal behavior.

CONCLUSION

Maintained work was focused on the children's perception of notions "trust", "trust attitude", and "trust relationships". Handling moral building activities with children and adults, we used such forms and methods of work, that create ambience of emotional fulfillment and comfort, which helped to open sociability, sympathy, compassion on the ground of trust attitude to social surroundings that will further help children orientate in adult's world.

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THE CONTRAST BETWEEN CITY AND VILLAGE, CHILD AND ADULT, ADOLESCENCE AND VIRILITY, INFANTILITY AND MATURITY IN CESARE PAVESE

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Abstract: Cesare Pavese was a fabulous modern Italian writer, critical scholar and translator of American literature. The analyzed story is titled "The City" and is lined with autobiographical elements where we find a conception of the unhappy, sad life filled with loneliness and disappointment. The unsuitability of the main character, his immaturity, the contrast between the city and the village, the peasant's reluctance in the city who tries to observe the streets, to know the city with his eyes and mind, but without being seen by others, is described with the most loved method of the writer, with that of symbolic realism. This method consists of filtering reality through conscious and drawing existential conclusions of the main character in general. The storytelling style has special features, tinted with lyricism and enriched with words and metaphorical images.

Keywords: city, village, metaphoric, language, narrative, image

INTRODUCTION

Cesare Pavese is an Italian short story and essay writer, novelist, poet, translator and critic of the twentieth century. He is widely regarded as a modern, "mythic" poet and writer who put in evidence and linked the gap between the general and the particular, external and internal experience, the past and the present by means of a personal methodology.

Geno Pampaloni (1952) reflecting on his work said that Cesare Pavese is different from the other writers, not only for translating and discovering the American Literature, but for his classical, Greek and Mediterranean background as well. He was one of the first modern Italian writers to break away from the traditional academic literature and he knew to reject the conformism of the tradition and also he was able to create his vernacular and particular unadorned style. The mythic tensions of Pavese's work states in the search for a new framework. He liked enormously the American literature and was a translator of the American masterpieces. The work as translator gave him a considerable increase in the cultural background, literature formation and he tried to build a new model in the Italian narrative. Leslie Fiedler introduced Pavese to the American public in "Introducing Pavese" and according to Leslie Fiedler's (1954: 552-3) writing in *Kenyon Review* "the preoccupation of Pavese within the meaning of America-stating in Pavese's impulse as an artist, was toward a dimension he liked to call "mythic". It can be said that he found his dimension in Melville and through him the Italian writer is found in the American books as an identity of word and thing". Also, Fiedler stressed that the mythic tensions of the writer's work consists in his search for a contemporary framework and to experiment new realist Anglo-American type of literature. His narrative is considered autobiographical because the stories that he wrote are imbued with his personality. Literary criticism has called the writer, along with another Italian writer Elio Vittorini, Americans of neorealism. At Pavese it is noted the influence of American literature, Melville, Hemingway Lewis etc. In this paper I will analyze the story written by Pavese *La città – The city* which belongs to the collection of stories *Ferie d'agosto- Summer Storm and Other Stories*.

MATERIALS AND METHODS

The purpose of this paper is to analyze the story written by Cesare Pavese, *The city*, using the literary analysis of language method, style and narrative techniques used by Italian writer as well as the analysis of topics discussed. As a neorealist writer, Cesare Pavese deals

beloved themes in his story, such as the loneliness, the inability to adjust to the city life in search of human contact, the meetings with the everyday reality, meditation/reimmersion in the rural world where Pavese himself comes from, the dogmatism of everyday life in the city, etc. The writer particularly stops in describing the psychological state of the main character closed its inability moral prison and being unable to communicate with others he feels lonely, offset. The contrast is more obvious in his relationship with the other character of the story, Gallo, a friendly relationship but rival at the same time. The contrast between the infant and adult, between adolescence and manhood, between childhood and maturity is given through the contrast between the two characters, the main and the other character, Gallo. Other characters in the story are Sandrino, his sister Maria, Giulia, the prostitute and the owner of the pension where the main character lived. The main character, a young man, recalls, by confessing in the first person singular, the years of his youth, lived through the university years with the freedom of a student in a city. The town's name is not given, but it is described surrounded by hills. The main character of the story comes from the village, as it was the writer Pavese himself, a young man who spent his time studying the city and the behavior of people living there, and it can be said that the story spins autobiographical elements and Pavese himself is a witness of his self.

RESULTS

In the story, the writer described the fear and immaturity of the villager boy who came from the village to the city and who wants to observe everything, but without being seen by others *Noialtri di campagna siamo così: ci piace guradare di là dalla siepe, ma non scavarcarla... ci aveva chiuso l'uscio in faccia* – We others from the village are like this: we like to look across the fence, but not to cross it ... we had the door slammed in the face (Pavese, 2002: 101). Use of sophism by the main's character side, only hides the difficulty, his embarrassment, while he continues the excessive comparison with Gallo who is flattered and amused with his manhood of an already mature man. In the foreground, appears the past lived in the city, which follows the rhythm of events, from a summer to another, and not coincidentally it is given with the flow of time by using the imperfect, *reggevo, costringeva, mi ci portava, tornavamo, coabitavamo, pareva* - maintained, forced, lead, come back, we lived together, seemed etc. Memories of the past are dressed with allegations of rare words with lexical implications. Frequent use of adverb *Allora* (then) and the use of the verbs in present simple tense indicate the tone to the prose and rhythm to the text. *Allora Io ... in collina* – Then, I ... on the hill, and the use of the adverb *then* as present simple tense ho – have, so – know, mislead youth event in the past, and therefore the strengthening of memory now is trying to catch up the meaning. The main's character monologue is built as a strain of recognizing ourselves and understanding the past experience in the city and helps to draw lessons for the present and to see the warning signs of destiny and life. In this way, the young villager came to the city to study, undergoes the subject of interpretation which aims to highlight the contrast between him and a series of events and situations, environments and characters with whom the main character establishes contact. The most visible opposition is against Gallo, who also is a villager student, and takes part in the different parties organized by the society, but unlike the main character, he knows how to exploit years of study as an experience of maturity, in the context of work and future responsibility. Placed opposite this example of the balance that must be followed, the main character cannot do anything else but to live a state of dependency and rivalry. The story begins with the sentence *Gallo non mai fu ... neanche al paese la ragazza scappò* – Gallo was never shy, not even in the village ... the girl fled, from the beginning emerges the contrast between the main character and his friend Gallo. One feels uncomfortable in relation to girls and women up to the fact that he blushes when he sees a girl who comes out of the water undressed and in the text is used the adjective *rosso*- he blushes as soon as he sees a young girl, while the other character, Gallo, manifests his security, he feels secure, punkish in the conversation and close to the people. Gallo appears interest for the facts and thing and for girls and is open to the new experiences in the

city. *Di queste cose ... rompersele* – of these things... better to decay, the scenery now shifts from rural to urban, but must say that the situation of the main character does not change: he continues to remain dependent on Gallo that is obvious in the forms of entertainment, marked by an innate tendency that accompanies constant dropping, the yearning and irresponsibility. Knowing of oneself, but also the city, tunes in an attempt to understand the reality of living and present, to capture the sense of the contrast between the city and the village and the change between the two realities, the recognition of the city, the streets, air and people gave pleasure to the main character: *Dopo il primo anno, che la città ci fu meglio nota in tutte le ore e strade, provavamo un piacere anche più vivo a guardarci d'attorno bighellonando per i fatti nostri, o aspettando su un angolo. Anche l'aria dei viali e delle single vie adess s'era fatta accogliente, e quell che, io almeno, non cessavo mai godere era la faccia sempre diversa della gente sui cantoni più familiari. Tanto più bello era sapere che in certe ore bastava entrare in un caffè, fermarsi a un portone, fischiare in una viuzza, e i vecchi amici sbucavano, ci si metteva d'accordo, si andava, si rideva* (Pavese, 2002: 100). The main's character immaturity is manifested in terms of inferiority that he has to Gallo: *Divenne bello, in compagnia ... lui l'edged avrebbe* – was handsome in society ... he would have taken it, the cause of the main's character inferiority is basically his immaturity since he presents himself here as a leeway and his personal choice, but on the other hand is the indecisiveness, inability of the introduction and acceptance in the reality. But we must say that it is not coincidentally, the decision of taking the room, which appears personal expressed by the verb in the simple past tense *decisi-* I decided to change the roles, actually is determined and depends on the character Gallo. Gallo decides for the main character and this action is expressed in story by analyzing the verb is in the simple past tense *mi decise Gallo-* Gallo decided for me. The main character of the story is ambiguous as it is the personality of Pavese, on one hand there is his indecision and on the other hand he seeks to preserve his freedom and independence. *L'idea di crearmi in casa una donna che potesse accampare su di me e sulla mia pace dei diritti, m'inquietava. ... il mio silenzio* - idea of creating a home and having a woman to live with me and having her rights on me, worried me... my silence, in relation to women, the main character of the story appears the same uncertainty and indecision. He is a character divided between hope, yearning and extracting the pretext for its preservation of individual freedom.

Gallo is the friend with whom the main character of the story has joint friendship; they share the room together, but also a woman Giulia. The main character tries to imitate the experience of his friend Gallo but only proves disappointment, demoralization and understands the double lack of autonomy and maturity. When the main character of the story is left alone without the physical presence of positive peer Gallo, who is energetic and confident, he is graduated; he wins some sort of real security. Attempts to invalidate Gallo for his *goffaggine campagnola* – his rural vulgarity, do not manifest a new civic identity, but it is just unconscious small-minded trick, they are a function of camouflage and concealment of the envy in regard to his friend's achievements. The main character feels the weight of the guilt for the situation in which he is, it is uncertain, sluggish, sits idle, lives stagnation and nights have gone in vain. *Nella mia smania di compagni ... tutto quanto disponibile, in my desire for friendship ... so readily*: the main character gets away further and further from his friend, but the search for his autonomy is built only in dreams, more than a *dover essere* – should be useless, unrealistic than a real being. *Io pensavo a tutt'altro ... la giornata* – I thought about something else ... the day, in this part of the story, the two characters begin to speak different languages: Gallo is involved by the accountability of work, he returns to the village graduated, while the main character still remains a young man who spends time in vain, away from the root of his country of origin, or the city where theaters are the only activity that fills his time. Within the two friends there is a deep contrast, between main character's doing nothing and the energy and the security of Gallo, between contemplative life and active life, between uncertainty, indecision to be useful, healthy. And it is the same gap that gives tones to the relationship of the main character with women, which he sees them with a mixture of sensual attraction and shyness, but without ever knowing to take the

initiative consciously to sleep with the owner of the pension. In this case, unlike the rough and rude manhood of Gallo, the main character appears a troubled and unhealthy curiosity. It also always translates not in a kind of action as it happens in the case of ambiguous relationship with the owner of the pension. Under the sign of the reception, is the attraction towards Maria, a bourgeois and in good economic condition, which carries on the villager student an attraction and such a sense of affective but the main character feels inferior because of his peasant origin. In this case, it is a greater desire to become part of the bourgeoisie than the feeling of love, but social barriers that divides them does not modify the "diversity" of the character.

DISCUSSION

The main character remains excluded from the opportunity to attain true human relation with his peers who appear far from him, and unattainable. *Gallo ripartì ... sul cielo* – Gallo left ... in heaven, here note that compared with the verb of movement attributed to Gallo (ripartì-left), the main character is indicated by the verb that stay *rimasi*-stayed or contemplative verb as *guardavo*-was looking, *immaginavo*-was imagining *mi intorpidiva ancora il disordine della notte*-was putting me asleep, the mess of the night was numbing me, the use of verbs all the time in imperfect in order to emphasize the character of the main character's repetitive actions. *Pér essere come Gallo* – To be like Gallo, in a state almost strange to participate in everyday activities that seem more and more, the main character seems convicted. He can only mimic the surface of mature and manly behavior.

The meetings that the main character organizes result vain. They are only to compensate that great desire for companionship. *Quell'anno ... disappunto*- that year ... disappointed: the student full of complexes from the village wants to integrate into the city for a desire of his social promotion rather than in a real search for affection. The new friends of the main character are very different from him, they have very different ways of living in comparison to his attic room, full of clutter or characterized by rural vulgarity. A new friend appears Sandrino, he is cold, calm but after this silence hides uncertainty in himself, a giddy young man, in good economic condition. Sandrino admires his peer for his rural qualities, strength and vulgarity. The relationship with Maria, the sister of Sandrino, results a disappointment for the main character, but the new relationship appears without dialogue and hopeless. As a result, the main character begins a young hopeless adventure, as Mary belongs to another social class and lives in the city. He is a peasant, a student who spends his time in a large, deserted, dirty and messy room and naked to its brutal truth which once was a place of leisure, illusion and for parties.

Timing of the event: An analog extension undertakes the concept of summer which for Pavese is an emblematic season. Summer is a symbol of vacations, holidays and discoveries. Two summers, during which the story is held, actually is related to two different times treated in different perspectives. The first time spent in the village is lived with the inconvenience, fear and shyness because of the interruption it suffers with the introduction in the city, in the reality of a foreign place. The second time, lived in the city, is expected with enthusiasm and hope for the opportunities and pleasures of affective work that it appears from the perspective of growth and maturity in the environment of the city. But all these projects result unfulfilled and, while certainly no work is found, summer day is spent in a *bighellonare per le strade*-wandering in the streets. The contrast city – village constitutes the "fundamental scheme" of Pavese's work (Guglielminetti, Zaccaria, 1980: 58) in which two summers past are two different time reflections, where are synthesized the summarized all the contrasts of life lived by the main character in a symbolic way. The end result will be the exclusion of the main character. Sandrino *Con Sandrino ... l'estate* – With Sandrino... the summer, the actions – the activities of the main character are fulfilled as a lack of choice, the actions are described with verbs in imperfect in *non potevo, non sapevo* - I could not, I did not know, rather than an autonomous decision. Preceded by those signals, the other summer is configured futile and not helpful.

Migrated from the village, the lost paradise of his childhood and the contact with the myth and the other things of that new place, he feels alienated with the city environment

which should be a symbol of its responsible growth and maturity. The journey of the main character is the journey towards recognition of his rural origin. The city, considering his character as a symbolic space, is the place of meeting and collision. It is a unique space that becomes the story, actually in a "safe place" behind the window on the roof, from where life can be observed only from a distance and from the outside (Tondo, 1984: 64). The city is the maturity, the determination, the poverty of the feelings, is the loneliness of a prostitute, drinking and entertainment. While for Pavese the village is the place of origin, the human's physical contact with the soil and it is the hill which is constantly mentioned in the story. In this contrast/traverse between the city and the village is supported the entire Pavese's work. He manifests the two personalities, but fails to match any of them with the lived experience. In the village he behaves as a citizen and as a peasant in the city. He is not only duplicated, but he cannot ever be himself. According to Fernandez (1969: 45) it is the first sign of inadequacy and his inability to live. On the termination of the main character and the final result of the bankruptcy, finds expression Pavese's own shock, he is divided between a childhood spent in the village and grew up in the city. He was sentenced to a misfit and behavior "*in campagna ... da cittadino, in città da contadino*" - in the village ... as a citizen, in the city as a peasant" (Guglielminetti, Zaccaria, 1980: 2). Unsuitability of main character deepened with Sandrino, the main obstacle remains the inferiority complex of the main character's origin from the village and social obstacles, Sandrino is a bourgeois. *Era Sandrino ... le ciliege, – dissì*: Was Sandrino ... the cherries – said: the conversation is filled and loaded with allusions to the growing incompatibility of the main character: not only remains hidden the sympathy for Gallo who moved, but cherries turn to be the symbol of the absence of love. The student gets more and more to the path of loneliness, for as long is mystified by a misunderstood pride, the freedom of choice *io preferisco le ciliege* – I prefer the cherries.

CONCLUSIONS

"In Pavese's writings is clearly seen the counter between the city and the village, adolescence and manhood, but also between childhood and maturity" according to Segre (2000: XXIV), "to the young man belongs the strain to understand reality, recognize the outside world that an adult should dominate so much as to look "the internal life". Pavese's writing turns into a "moral and vital need" (Grana, 1982, 6278), which is subject to filter the subjective reality of cognitive sensitivity. Pavese in his personal diary on 25 December 1937 wrote: "There is something much sadder than to grow old, and it is to remain a child". The human drama consists precisely in a long incurable teens, in contrast with the aspiration of being adult, mature and inability to be fully formed. For this type of dispute he wrote the story *The city* using basic terms such as village, town, children, adult, adolescence, manhood, youth, and maturity, expressed in metaphorical narrative images such as loneliness, alienation and human unsuitability in the early twentieth century. In the story it is also noted the frequent repetition of word *city* used ten times, *village* eight times, sometimes peasant and citizen. Luperini (1981: 580), regarding the personality of Pavese, wrote an intellectual, aware of his being foreign in society and his literary aspirations unrealizable in all the literary attempts, ideological or political to regain lost role.

In the route of the main character to the loneliness, the facts result decisive and constructed with simple deflection. The reality is filtered and interpreted from the perspective of the main character's subjective monologues that clearly demonstrate Pavese's design of narrative. This narrative technique is defined as "thought I confess" (Grant, 1982: 6296) which overlays the story with lyrical and autobiographical solution. The story is built in the first person singular, on the one hand shows the exclusion of the narrator in the subjects covered, and in turn, puts the story in an intimate atmosphere of the intelligence of evil living in the desert. The monologue included in the story of an exemplary parabola, which focuses on self monologues' hidden meaning of human relations between things, between landscapes and situations. *Spalancavo la finestra ... mi sentivo rinascere*: Opening the window ... and feeling regenerated, given here with an allusive prose filled with lyricism, the story provides an

example of the symbolic realism of the writer, in which reality is filtered from the view subjective, and spins allusive secret metaphorical images. The reality is stylized by narrative sequence of images that overlap symbolic meanings. For Pavese, the conception of art as technique, craft and intellectual control of the instruments is realized as metaphorical application of procedure behind which are hidden a number of meanings. According to the critic Squarotti (1964), precisely in the metaphorical processing, consists the original stylistic code of Pavese, where we encounter the use of an unadorned prose, with functions to recover and linking images-themes with the room, the holidays, the action, the glasses and bottles of drinks, the night, the streets of cities.

The reversal of the party theme appears emblematic. The party has degraded in secret parody, "a symbol of a wound to be healed or of a gap to be filled" (Jesi, 1968: 163): two peers united to drink a glass of wine and sat together. At the end, the celebration dinner becomes a vulgar dinner between the main character and Giulia: two teenage lovers united, who find temporary comfort against loneliness to the sex and wine or, as Pavese *silenzio frusciant del cuore-* in the murmurous silence of the heart. *Giulia ... capriccio:* Giulia... whim, the character of Giulia is only a substitute for the character of Maria and in the eyes of the main character it is designed as an image of the opposite of Mary, coming from a pariah society, almost like a beast in behavior, like an animal. The description is given in short sentences and the verbs used were seemed, looked, behaved, *pareva un gatto- looked like a cat*, or almost not expressed *imitava con la voce il rumore-* imitating the noise with the voice, etc. The end of the story episode closes with explanatory: *Mentre mi vestivo ... se ne andò* – while I was dressing ... he left, is the clarifying episode, without an alibi, the main character is put in front of the definite detection of loneliness, not balanced anymore from hope but only surrounded by misery and vulgarity. It can be said that Pavese's merit consists on the characters' provincialization and the use of a new language, the slang. This prose had the influence of the Anglo-American literature. Pavese is more interested to reflect the symbolic presentation of the reality, of what is hidden beyond appearances. The main characters of the story commiserate characters that leave their place of origin such as Gallo and the main character. Through his writing, Pavese deepens the memorial the search of the private mythology and his background was classic, Greek and Mediterranean. Pavese's efforts were for new scenery and he opened a coil in a new era for the Italian narrative in the early century.

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SOCIO-PEDAGOGICAL APPROACH: CRISIS IN SOCIAL PEDAGOGIC AND RESOURCES OF ITS OVERCOMING

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Abstract: *The article sets the essence of innovation for teaching science, socio-pedagogical approach to overcome the crisis of the social pedagogy at the present stage of its development. Crisis in social pedagogy is to narrow the ideas of founders of social pedagogy of F. Disterveg and P. Natorpa on the social character of educational assistance to a person in the process of socialization and direct contact with potential of society and thus flattening it to the level of development of the range of social education, excluding social learning and social development as the basis of pedagogical science. The continuation of the crisis in scholarly and scientific publications on social pedagogy badly affects the vocational training of future social workers and their employment. The use of the socio-pedagogical approach to overcome this crisis was to implement the pedagogical possibilities of society for the socialization of children and adults in various conditions of their life.*

Keywords: *socialization, pedagogy, socio-pedagogical approach, teaching science*

INTRODUCTION

A large-scale of modern transformations of the social practice and a wide use of the possibilities of the society to solve the individual's socialization problems, inevitably generate a new social phenomena in the socio-pedagogical field of society activity, create a great deal of absolutely new subjective forms and ways of the solution of the actual problems which results demand judgment, theoretical analysis and search of the most effective approaches in realization of possibilities of practice. All this in aggregate conducts to improvement of the socio-pedagogical theory, expansion of the possibilities of this branch of pedagogical science at the expense of integration with other social sciences and on this basis to enrich the socio-pedagogical practice in various spheres of society life and to active introduction of the socio-pedagogical approach in the activity of various profile experts.

Today Russia faces the dilemma: integration into the international educational space is necessary, modernization of all education systems therefore is necessary; it would be desirable to march in step with Europe and to keep a national originality, fully to realize own potential of the transition period which has arisen in difficult fight on the crisis overcoming in many humanities in the last twenty years.

MATERIALS AND METHODS

The modern comprehensive school is undergoing difficulties in pupil socialization to new realities of life. Many higher education institutions of the humanitarian and technical profile are experiencing difficulties, aspiring to solve acute problems of specialist socialization in the second higher education system. For these aims the certain experience of interuniversity, interdepartmental and interstate interaction is stored in our country. Russian education becomes more and more open for domestic and foreign society. It is getting a norm of participation of not elected experts, but the whole universities in the international scientific projects, exchanges of training specialists programs, work in scientific councils and create a uniform educational space. Higher educational institutions of different countries have got an easy spoil for joint permission of own problems, causing a new international integration level. It is not caused by the lack of qualified scientific and pedagogical specialists, just the opposite, by their aspiration to reveal in more wide recognition of achievements and possibilities of practice to transfer a personal experience to another, quite often disinterestedly, even on parole. Thus, the general scientific dialectic law of transition of quantitative changes in qualitative at level of world commonwealth is realized. Each country introduces at any stage

the contribution in development of scientific knowledge, thereby advancing the general science to a new higher level, shares the scientific breakthroughs with others, demonstrating a socio-pedagogical approach at work.

RESULTS

Today similar processes are observed in the field of socio-pedagogical development. Over 150 years ago great German educators P. Natorp, A. Disterveg, K. Mager introduced the public to the notion of the "social pedagogic" (1844), having realized social preconditions of the person development arising during much centuries in the harmonious doctrine [3].

Since the moment of emergence of this notion so far in German literature there have been two different treatments defining various approaches in this branch of scientific knowledge development.

According to the first treatment, the social pedagogic has something general with the social part of education (K. Mager), i.e. it is a question of social aspect of education.

According to the second treatment, it acts as a pedagogical help in certain social conditions, situations (A. Disterveg), i.e. pedagogical aspect of societal development is pointed out there.

Cooperation of these two directions ("social education" and "pedagogical help") in the integrated course was destined to be realized later more than 150 years after the founder's discussions. The first brick of such co-operation was put in 1989 by our domestic pedagogues V.D. Semenov, V.I. Zagvyazinsky, B.Z. Vulfov, L.T. Baranskaya published in URPGU as educational book "Social pedagogic: theory and techniques, experience of research". The authors of the collective scientific work noted that the social pedagogic studies not only are an educational resource of society, but also ways of its updating on the basis of different forms of integration of educational resources. Scientists referring to the founders of social pedagogic argued that the social pedagogic is understood in two senses: integration of educational society resources for the purpose to increase people's cultural level (P. Natorp); pedagogical help to deprived children, their guardianship, and delinquency prevention (A. Disterveg, G. Nol, G. Boymer,). The modern understanding of the question comes up to the integration of society resources and pedagogical methods of their realization and the development of various approaches and forms of socio-pedagogical activity among children, teenagers and adults on problems of social training and social education. But, unfortunately, all the period passed after that, the social pedagogic made a bigger list towards social work, tried somehow to imitate its methods, forms and technologies. It is a huge merit of known domestic pedagogues such as L.V. Mardakhayev, Yu.V. Vasilkova, T.A. Vasilkova, S.N. Tetersky, R.M. Kulichenko, F.A. Mustayeva and others [3].

Correctness of chosen direction of prospects and the development of social pedagogic theory proves to be a true development of a new kind of professional work, its structure and basic components. When first studying we have met necessity of knowledge sources of this kind of activity. There was a necessity of studying social environment about which scientists during former times (K. Mager, P. Natorp, A. Disterveg, K.D. Ushinsky, A.S. Makarenko, S.T. Shatsky), and together with it convincingly spoke about development of the theory of socially-pedagogical activity, society knowledge, and also about forms, methods, means, receptions of its use, first of all, educational potential in development of the person and the decision of problems its socialization. On the way a number of unresolved crisis property blocked problems in social-pedagogical science.

One of them is the problem of vocational training of personnel in a socio-pedagogical profile. Crisis continuation in educational and scientific editions on social pedagogic was sharply reflected by system of vocational training of future social teachers and their employment. The analysis of Russian experience on inclusion in process of primary acquaintance at a level of experts in social sphere, students of colleges and humanitarian high schools with ideas of social pedagogic within the limits of vocational training and educational programs in the specialty "Social pedagogic" shows serious problems of mastering by students of essence of the future trade at level of college and at high school level. Today there is no accurately designated real conceptually-category device of this scientific area. Various different interpretations in the educational literature are difficult for students to be guided in their future functional duties,

and furthermore at the future professional work: social-pedagogical activity. In heads of future experts the complete picture of the social-pedagogical approach in the permission of professional problems could not be generated. Special uneasiness has developed in formation of practical skills and technological abilities of preparation of future social teachers. Taking place textbooks by a technique and technology of work of the social teacher of anything, except technological jumble, mess in ways of the permission of social-pedagogical problems does not bear. They distinguish technological abstraction by insufficient competence as in their basis as what is necessary (organizational-administrative, psychology-psychiatric, scientifically-methodical, legal, cultural urological, medical problems of the person), but only not social-pedagogical property of a problem. The maintenance of many textbooks as though specially distracts students from aspiration to master social-pedagogical technologies, to get skills of possession of concrete tools of the permission of professional problems. There is a question: whether "It is possible to resolve material non-financial problems in pedagogical means or on the contrary, pedagogical problems psychology or psychiatry methods?" In reality there was an unattractive picture, graduates of teacher training colleges having mastered a special "Social pedagogic", this idea should be considered to be good experts, but actually cannot distinguish the concept of "technique" from "technology", and coming to high school master conceptually-category of the device of social pedagogic once again in live study with teachers of high school. After being released, many of them, found a job on a post of social teachers and tried to show "reasonable" owing to the semi readiness. And many graduates of high schools mastering the program of the higher vocational training on specialty 050711 "Social pedagogic", in a greater measure it is independent, many "active" authors could not be released from the traditional approach under influence of disorder of stated material in studied textbooks on social pedagogic as for the student the textbook with a signature stamp of the Ministry of Education or Uchebno-Methodical Association. Unfortunately, the law of this boundary has overcome with success. And as a result of such state of affairs, all it finally has led to reduction in many Russian teacher training colleges in the specialty "Social pedagogic", and consequently, to decrease in potential of social-pedagogical activity.

Over the last ten years Russian education system has undergone considerable changes in a channel of the general processes of democratization of life of a society and market economy formation. All courses of scientific activity of scientists at the "Institute of Social Pedagogic of Russian Open Society" under the direction of V.G. Bocharovoj, and also MGPPU, UrGPU, OGPU and many other high schools of Russia in development of modern views of social-pedagogic as a component in professional work of educational and scientific institutions, production enterprises have put forward the *social-pedagogical approach* in activity of establishing the system in Russian education [3].

The social-pedagogical approach consists of, first of all, pedagogical resolution problems of the person on the basis using the potential of society: by inclusion the person in social-significant activity, in a new social relation, forming social requirements, developing person's social abilities and establishing business interactions with social institutes of a city for the sake of the permission of its problems of current and chronic property. In professional understanding the social-pedagogical approach began to be considered from the moment of inclusion in the list of trades of social teachers, as main subject of social-pedagogical activity and organizer of interaction of the person, the pupil and resources, possibilities of potential of society.

Having entered the Bolonsky agreement, Russia actively realizes today the accepted obligations about transition to two-level system of the higher vocational training. Distinctive feature today in an activity of higher educational institutions occur of social-pedagogical components, orientation of efforts of subjects in the organization of educational process in high school on wide use of society potential.

The accent in an activity of high schools on *social formation, social education and social development* of future experts, assumes active research of a social-pedagogical component in educational process and transition from traditional forms of a professional training to all-round studying and attraction of society potential for strengthening in educational process [4]. All conduct to increase the role of the theory in social pedagogic, expansion of possibilities of

this branch in pedagogical science at the expense of integration with sociology, psychology and other social sciences and on this basis enrich socially-student teaching.

Today *social pedagogic* is a sphere of serious discussions, complexities and resolution of conflicts in science and the practice inherent in process of introduction all new. Also social pedagogic is a branch of pedagogical science studying laws of formation, development of pedagogical process (training, education and development) on the basis of realization of potential of society in various conditions of socialization of the person.

Social pedagogic is considered to be a boundary region of knowledge between pedagogic and sociology. It has resulted from integration of a pedagogical science and the sociological theory about society and about socialization. It is science extending of a pedagogical component in society, concentrating attention to use the potential of society for the decision of pedagogical problems, problems of social training, social education and social development. Development of the theory of social pedagogic proceeds in difficult inconsistent conditions of development all humanities influencing as on conceptual directions, on its maintenance, and on productivity of practical realization of its achievements. At present stage of development the theory of social pedagogic has got some characteristics.

The permission of some contradictions existing in a modern society:

- Between promptly accruing educational possibilities: Various social institutes in the conditions of a city and village (quite often nonconventional property, for example, public organizations, funds, fronts, movements etc.) and unavailability of society to the reasonable reference with this huge educational potential in interests of the permission of numerous problems in socialization of separate individuals or social groups;

- Between mass inflow of new shots to the sphere of social-pedagogic: To activity and unavailability of a pedagogical science to give an accurate position and a place of social pedagogic among the humanities, and, first of all, to its interrelation with pedagogic, with sociology, with psychology, with social work and others [3].

The analysis of available contradictions leads to a conclusion about ways of further development of social pedagogic as sciences and socially-student teaching.

In our opinion to number the most expedient *directions of development of the theory of social pedagogic* today can be:

- Integration of pedagogic with sociology, active use of possibilities of the doctrine about socialization both about society and on this basis working out of bases of pedagogical (educational) potential of society, expedient forms and methods both its use, and its development or restoration in interests of the decision of problems of socialization of the person or the whole social groups;

- The founder of social pedagogic of K. Magera confirmed, that "in development of social pedagogic are considered preconditions, methods and means of education of the person in a society, for a society, through a society". There is a problem of developing a theory in social pedagogic, society knowledge, also forms, methods, means, receptions of using its potential in development of the person and the decision of problems of its socialization.

- Today's social pedagogic can develop a minimum in two directions: research of the maintenance of social-pedagogical activity; studying a role and possibilities of educational potential of society in realization of the purposes in pedagogical process.

- Research of the maintenance of the *social-pedagogical approach* is essentially different from taking place approaches as reflects an essence of subject's interaction of educational activity and society;

- Strengthening of scientists attention and researchers of social pedagogic on activating of studying problems of social-pedagogical activity: working out new forms and methods of its realization in modern conditions of interbranch integration; strengthening a role of dissertational councils in realizing results of social-pedagogical researches in real practice [3].

CONCLUSIONS

Practical importance of opening specialty in system of pedagogical sciences consists of means of scientific researches and important practical problems which should be solved: introduction

of results in scientific researches of professional work of establishment formation, public health services, social development, culture, sports, tourism and even manufacture sphere; realization of the social-pedagogical approach in various kinds of professional work (social advertising, interdepartmental cooperation, selection and preparation of experts in personnel agencies, on transport, in economy etc.). The potential of the designated directions of development in social pedagogic can be expanded at the expense of designing a social-pedagogical component on studying educational possibilities of basic elements in society: social institutes of society, socio-significant kinds of activity, social relations and others, as significant socio-pedagogical knowledge and from the point of view of the theory and practice, in the light of today's requirements of a society in a state of affairs in socialization of children, teenagers and adults.

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THEORETICAL ASPECTS OF EDUCATIONAL PROCESS OF MANAGEMENT INFORMATIZATION

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Abstract: The article highlights the theoretical aspects of educational management process of informatization. It gives a detailed analysis of the current state of the educational process management through information technologies. The concept and formation peculiarities of management of information technology introducing in the educational process have been analyzed. The main advantages of education informatization have been determined. The attention is focused on improving the quality of education, which is one of the main tasks of the modern state policy in the sphere of education. The article determines the significance of educational process management informatization and the education system as a whole. The division of administrative tasks according to areas of activity in a higher education establishment has been suggested. The major modern demands that stand before the head of an educational establishment have been described and analyzed. The article analyzes the ways of introduction of the educational process management system through informatization of educational process of higher education establishment.

Keywords: informatization, educational process, informatization of educational process, management, higher education, higher education institution management, advanced information technology

INTRODUCTION

The topic of our research is due to the fact that nowadays the society informatization becomes one of the most important factors of production and one of the main levers of any organization, including higher education establishment. The implementation of advanced information technologies in the educational process is a project in which for a limited period of time, using the allocated resources, it is necessary to provide the start-up and operation of a certain information technology to support activities [2]. Despite a rather wide range of publications, the study of the role and importance of information technologies as a means of innovative development of education cannot be considered exhausted. There are a number of problems, which aren't still properly highlighted in the literature that motivated the choice of the article topic.

MATERIALS AND METHODS

Nowadays modern technologies gradually become an inseparable part of every sphere of society. The role of new information and communication technologies is also important in the management process as a whole and in the management of certain areas. It is commonly supposed to define modern information technologies as a set of methods, productive processes, software and hardware tools, arranged into a technological chain ensuring the collection, storage, processing, distribution and displaying of the information [1, p. 45]. The better the manager uses the latest information technology, the better his establishment is developed and the more reliable position it occupies on the labor market. Improving the quality of education and equal access to it are not the only tasks of the modern state policy in the sphere of education, but also a national priority and a prerequisite for national security of the state, a condition to realize the right of citizens to education [3]. In general, the outlined problem reflects the global trend of innovative development of educational systems, since the international community recognized that education, welfare and health of people are the main factors of the quality of their life, and the quality of education is the main goal, the priority of the development of civil society.

It is impossible to achieve a new state of modern society without radical improvements in the field of training highly qualified specialists and the whole education system, which, in its

turn, has to solve problems related to professional training. The quality of education covers all such basic functions and activities in educational modernization in the context of European standards as quality of teaching, training and research, and that means the high quality of proper personnel and programs, and the quality of education as a result of teaching and research.

RESULTS

Informatization both of the educational process and the educational system as a whole is one of the most important tasks of reorganization and formation of the education to fit the needs of the society. Many scientists, including V. Bykov, A. Huzhiy, M. Zhaldak, M. Zgurskii [4], G. Kozakova [5], A. Kudin, I. Prokopenko, S. Semerikov et al have investigated the issue of education informatization in the context of education reform, development of theoretical and methodological aspects of applying information technology in education, management of database in education, efficiency of higher education establishment and educational systems management, improvement of the educational process, rationalization of the work of teachers and other participants of the educational process etc.

Informatization of education will significantly improve the material and technical base of educational establishments and enable research and educational staff to improve computer literacy. To increase the management efficiency, it is necessary to implement information and communication technologies, the use of which in the management of higher educational establishment educational process is not just the automation of certain functions and business processes, but also a substantial reorganization of the work on the basis of advanced technologies that will lead to a new quality of educational services. Particularly important requirements to the higher educational establishment managers are to master the latest information and communication technologies according to the level of education development and to be aware of current information inventions relating to the management of higher educational establishment and the informatization of educational space in general.

The following management tasks can be outlined in a higher educational establishment according to the areas of activity: 1) structuring of academic activity (organizational and academic work, implementation of academic standards, improvement of the education content); 2) organization of educational process (organizational and educational work, the development of ideological culture, formation of active public position, the activities of the museum and exhibition centers); 3) staff training (organizational and advisory work, methodical work, certification or training, individual work with pedagogical and scientific staff, working with administrative and economic staff); 4) providing the activity of higher educational establishments (financing activity, attraction of extra-budget funds, organization of labor protection, improvement of the material and technical base and economic work, social structure support, handling documents, etc.).

Each of the outlined subsystems requires the implementation of computer technologies in its activities. One of the main requirements for this implementation is comprehensiveness, completeness and the systematic use of computer technologies. Only under such conditions it can lead to the maximum effect, but not if reduced to the use of traditional technical means of training and other technical means in administrative and economic activities of a higher educational establishment. Besides, one of the most important tasks of management of information technology implementation in the educational process of the university is free access to information, which is related to the activities of both separate structural units and the university as a whole. Such access is fairly easy to implement by creating a system of interactive Internet sites, based on a common approach to their development.

Investigations in this field show that one of the reasons for the delay of informatization of a higher establishment of educational process management is unawareness of available practical inventions of native scientists.

It should be noted that today there are many disparate, sometimes unconnected software tools, that provide only partial support for educational process management. Despite this, the demand for automation of management activity of educational institutions is increasing. In this regard, we made the managing of the university educational process our

goal, that will create and maintain a database, where the following information is formed and registered: 1) the structure of the university educational process (faculties, departments, specialties, academic, special and other groups, subgroups, classes, disciplines, academic hours, curricula); 2) the data concerning the load of the department; 3) the data related to the teaching staff of the educational establishment, their planned loads and time-table; 4) daily data concerning the actual work of each member of the teaching staff for each subject; 5) classroom fund of the educational establishment, its usage and the schedule; 6) large amount of data on all students of the educational establishment and their success for the entire period of study; 7) schedule for all university students etc.

The introduction of information and communication technologies and systems in the management is one of the characteristics of world processes of globalization and there is no possibility to stop them [2].

Despite our wish, computers and software appear in higher educational establishments and the process doesn't seem to stop.

However, whether it is a benefit or harm, depends on both the administration's and the managers' awareness of what exactly the imperfection of the traditional system of activity organization is, how the innovation will work and what benefits can be achieved.

It should be noticed, that nowadays two ways of introducing the system of educational process management with the help of informatization can be used:

1. Adaptation to the existing management structure and division of responsibilities between management subjects. Thus, there are processes of automation, modernization of methods of performing management functions, improving the distribution of certain information flows between experts on management.

2. Development of a new organizational management structure, in which functioning of information system management will be the most effective. It eliminates the gap between information and organizational structures, reduces flows of information circulating on the subject etc. This approach provides the maximum development of communications, creation of new organizational relationship, improving the forms and methods of management.

According to the first option, the risk of system implementation is minimized; according to the second one, the system can be developed according to the requirements and demands of improving the process of introducing the information technology management of the educational process of higher educational establishment.

CONCLUSIONS

Using a new system of educational process management of higher educational institution will encourage:

- 1) improvement of university educational process management;
- 2) formation of databases through collecting, automation of processing and storage of the information to ensure efficient cooperation of all departments, employees and experts in the processes of collecting, processing and using the information;
- 3) providing free access to the university information base, rising the information culture of employees, reducing the time spent on tasks, enhancing the speed of information exchange;
- 4) increasing responsibility for the objectivity of control.

Thus, informatization of educational process of a higher educational establishment will increase the knowledge of computer literacy, the level of mastering the latest information and communication technologies according to present scientific and educational personnel and heads of educational establishments.

Educational process management informatization, formation of a permanent demand of the staff in obtaining management information, diagnostic materials, data providing psychological and pedagogical support, encouragement and motivation of teachers to introduce the multimedia technology in teaching academic disciplines, both lectures and laboratory work etc., are the main ways of improving the efficiency of higher education establishment management.

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Part II: ACTUAL ISSUES OF MACRO- AND MICRO- ECONOMICS

DEVELOPMENT OF REGIONAL BUSINESS IN UZBEKISTAN

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Abstract: *Regional economy is one of the major branches of economic knowledge. A subject of regional economy is studying of social and economic regional placing of productive forces of Uzbekistan and development of its branches. The main purpose of regional economy is description of economic, demographic and ecological features of regions, as well as inter-regional, intra-regional and interstate economic relations. A substantiation of productive forces placing in Uzbekistan is analyzed and predicted, taking into account the general strategy of socio-economic development and studying of Uzbekistan economy in regions, as well as inter-regional economic relations and research of the territorial organization of economy.*

Keywords: *regional economy, inter-regional economic relations, regional business*

INTRODUCTION

From the point of view of modern practice, regional management is the regulation of socio-economic processes in region under conditions of transition of its economy to market. The most important problem of regional development is overcoming of distinctions in the living standards of the population in separate regions. To solve this problem, governmental programs of economic development in the remote regions have to take into account their economic level and features. Common regional problems are: 1) disproportion in economy's structure; 2) depressive development in separate regions; 3) weak social infrastructure; 4) economy's destabilization; 5) development of abandoned lands; 6) development of inter-regional transport systems; 7) creation of ecological safety. It is necessary to provide development of export and import-replacing productions, realization of economic reforms, creation of market infrastructure, privatization, and business development in the framework of regional policy of Uzbekistan. Recently, many regions of Uzbekistan show interest for the creation of free economic zones in the cities of Navoi, Angren and Dzhizak. These zones are the powerful factor of economic progress of Uzbekistan in world economic communications. Economic efficiency of free economic zones is determined by means of the special economic mode established in a zone territory. Enterprises with foreign capital occupy the basic place in such zones. Their production is oriented by export. Foreign investors have various privileges in surtax payment. The state gives certain independence for free economic zones. But their activity is under permanent control. Uzbekistan's regional policy concerning development of free economic zones implies creation of new techno polices. Creation of free economic zones in such regions is important to lift life standards and to approach them to the European standard.

The aims of the regional socio-economic development are: 1) increase incomes; 2) improvement of educational, food and health services; 3) decrease in unemployment rate; 4) environmental improvement; 5) equality of possibilities; 6) enrichment of cultural life. Some of these aims are identical, but in certain conditions they can have essential distinctions. There is a conflict between the development aims. Although in this case the conflict between the aims doesn't have an ethical character. In other cases, such conflict demands special consideration and special solving methods.

MATERIALS AND METHODS

According to the aims of regional development, the system of criteria and indicators is unsustainable. Despite some distinctions in values hierarchy and development of Uzbekistan and

its regions, international organizations estimate development degree of Uzbekistan and its regions by means of universal integrated indicators. One of such indicators is the index of human development developed within the Program of United Nations Development. It is well-known; this index ranks world countries on ascending from 0 to 1. We used three indicators of economic development to calculate this index by example of Navoi region: 1) expected life expectancy at a birth; 2) intellectual potential (literacy of adult population and average duration of training); 3) personal income by purchasing currency's capacity and decrease in limiting utility of income.

It is possible to use an index of human development and other similar indicators in inter-regional comparison the same way, as well as in the international analysis. Along with integrated indicators it is possible to use separate indicators of regional development. They are: 1) national income per capita; consumption level of separate material benefits; 2) differentiation incomes; 3) life expectancy; level of physical health; 4) educational level; 5) degree of population contentment.

RESULTS AND DISCUSSION

Also we allocated both long-term and short-term objectives and criteria of economic development of Uzbekistan. Long-term objectives are: 1) formation and development of a postindustrial society; 2) creation of high-qualified workplaces for the future generations; 3) increase of living standards, including level of public health services, education and culture. Short-term objectives are: 1) achievement of certain level of GDP yearly, quarterly and monthly, etc. Long-term and short-term objectives are differed. Our analysis has shown that criteria of economic development not always define aims or target points and vice versa. Quite often tactical targets of regional development define necessary condition of its successful development.

Such tactical targets of regional development include: 1) development of new businesses; 2) expansion of existing types of business; small business development; industrial development; 3) development of services sphere; 4) increase of employment level in the Navoi city.

Management of organizational structures in Uzbekistan has three forms: state, commercial and public. State sphere has three levels: republican, regional and private enterprises. Commercial sphere of management covers various levels of corporate managements, i.e. small, average and large business in various organizational forms. They are entities of cooperative societies, concerns, holdings etc. Public sphere has extraordinary character at the moment. If earlier bodies of public self-management had certain limited functions, then now public structures are representative and judicial bodies, state-public funds, self-government institutions, trustee structures and parties. Organizational structures depend on different influencing factors. On the one hand, they cause and predetermine process of their transformation; on the other hand, they are subordinated to these structures.

Scientific and technical progress is the most significant of the objective factors influencing organizational structure of manufacture. It is the catalyst of socio-economic, administrative and other organizational changes in system of relations of participants of productive process.

Market economy development is accompanied by revision and reorganization of all organizational relations: technical and technological, social and economic, as well as political. Therefore the separate enterprise of any size and any field of activity represents socio-economic productive system which reflects a sense and contradictions of modern managing.

CONCLUSION

Orientation of regional development to the social problems' decision, to reproduction of the conditions providing high quality and high life level of humanity is the highest value of a society. To realize it, formation of organizational-economic conditions on the basis of principles of economic freedom and economic independence is demanded. Orientation of structural policy of region to the market demand, inquiries of intra- and extra- regional consumers and organization of required types of production which are demanded by inter-regional and foreign markets can promote increase of financial independence of region.

Formation and development of regional marketing is a basis for realization of programs of its current and strategic development. It is required transition from the regional statistics to

the regional monitoring with the use of modern informational base for the analysis and control of socio-economic, political and ecological situation in region. With the aim to attract the South Korean companies in a free economic zone of Navoi on March, 5, 2009, Seoul Conference "Free economic zone Navoi as a new investment possibilities in Uzbekistan for the Korean partners" took place, where over 1200 representatives of Korean business participated. As a result, 37 agreements on the creation of joint ventures in territory free economic zone "Navoi" in chemical, oil and gas, electro-technical, machine-building, mining, pharmaceutical, light industry, sphere of building materials manufacture and furniture have been signed. In 2009 civil and erection works at the frame of 30 projects were started in territory free economic zone "Navoi" and 10 Startup since May, 2010. The major element of success of the free economic zone is the functioning transcontinental intermodal hub on the basis of the airport of Navoi. To develop intermodal hub and to expand of cargo transportation through the airport of Navoi, the agreement on leasing of two cargo aircrafts C-300-600F between national company "Uzbekistan Airways" and the company "Korean Air" has been signed.

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LEASING IN THE REPUBLIC OF BELARUS

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Abstract: The article explores the peculiarities of leasing services in the Republic of Belarus. It includes the definition of leasing and its types; analyzes the cons and pros of leasing in contrast to the alternative methods of attracting investment into the country's economy. The regulatory and legal framework for the conduct of leasing operations both in the dimension of international relations and at national level is also explored in this research. As a result it is concluded that leasing is an attractive tool for boosting companies' activity as well as for promotion of their products in the market.

Keywords: leasing, lessor, lessee, market for leasing services

INTRODUCTION

Growth of the investment-related activity happens to be one of the main goals in the broader task of economic development of the Republic of Belarus. The ability to secure considerable investment with the help of investment loans, capital investments by the government or through usage of company's own assets is well-known to be very limited. In this light leasing obtains a special meaning as a financial mechanism that helps maintaining the investment processes in the economy.

There are a lot of definitions of the term "leasing". In the law of the Republic of Belarus leasing activity is considered as the profit-seeking activity of the lessor through purchase of an asset and subsequent commercial offer of this asset to potential lessee for temporary ownership and/or use. At the same time leasing activity is conducted by means of signing a contract of financial rental (leasing) and respectively of the contract of sale (delivery) of the asset being purchased for the future transferring as the subject of leasing [1].

MATERIALS AND METHODS

A variety of leasing types are practiced globally. *Table 1* displays the main types of lease.

Table 1

Main types of leasing

| Type of operation | Finance, operating |
|--------------------------------|--|
| Market Dimension | Domestic, International |
| Property Type | Lease of Movables, Lease of Real Estate |
| Condition of the leased assets | Lease of new (unused) property, Lease of used property |
| Service scope | Net, Full, Partial |
| Number of transactions | Urgent, Renewable, General |
| Nature of leasing payments | Monetary, Compensations, Mixed payments |

Source: author's own elaboration based on [2, 3]

Moreover, each leasing company offers own leasing programs with different conditions for the leasing contracts. Nevertheless, all the existing lease types can be divided into two principal types: operating and financial. The remaining forms of leasing relations happen to be deviations from these two types. *Operating leasing* constitutes a kind of rental relations, where expenses of the lessor, related to the purchase and maintenance of the leased assets, are not covered by the rental payments during one leasing contract. Upon the expiration of the leasing contract the lessee returns the leased asset to the lessor, which results in the asset being available for lease multiple times. *Financial leasing* is most widespread type of leasing in the

Republic of Belarus. It is a kind of leasing, where the financial payments compensate at least 75% of the recovered value of the leased assets to the lessor regardless from the nature of the subsequent outcome (is it buy-out of the leased asset by the lessee, return of the leased asset or a renewal of the contract under different conditions). The above-mentioned compensation for 75% or more happens during the operation of the contract and the contract has lasts not less than a year. Financial leasing is characterized by the following main features: 1) participation of the third party (producer or deliverer of the transaction object); 2) inability to terminate the contract during the main tenure of the rental (i.e. time, needed for the compensation of expenses by the lessor); 3) more lengthy period of the leasing contract (often it is close to the expected life of the transaction object); 4) transactions objects in finance leasing are usually characterized by a high value [4]. In general, a leasing transaction includes three-way legal relations, i.e.: 1) parties; 2) deliverer of the equipment and 3) leasing company [3]. A leasing transaction also involves other entities, e.g. bank, that provides a credit for the lessor and insurance company that is responsible for the security and/or reliability of the transaction [2].

The purchase of the main resources by means of a finance leasing contract is beneficial in a number of ways both for the lessee and the lessor: 1) leasing payments are production-related expenses (i.e. they are part of the production costs) for the lessee; 2) leasing does not alter the ratio between the borrowed capital and the own capital of the lessee; 3) keeping count of the depreciation of the leased assets can be performed by lessor or lessee either. Depreciation allowances related to the leased asset take place during the period of lease and are included in the production costs; 4) duration of the leasing contract as a rule, is not longer than the depreciation period of the leasing object [5]. In addition, financial leasing has such advantages over a credit: 1) ability to make decisions simultaneously over the purchase and the financing of the capital; 2) affordability of attracting capital regardless of the business-size; 3) governmental support for the leasing operations that motivates the producing businesses to renovate its production facilities and leasing companies to increase capital investment in these operations; 4) in case of the leasing-for-export schemes the lessee can benefit from the tax reduction mechanisms of the country of the lessor; 5) property rights for the leased asset belong to the lessor, which serves as a guaranty of return of credit; 6) fast process of reaching a decision over the make a deal.

At the same time it should be noted, that financial leasing has a number of disadvantages, such as: 1) lessor's risk of losing the leasing object even if the leasing payments were made in time. That may happen due to bankruptcy of the lessor caused by the insolvency of another lessee; 2) organizational complexity of a leasing transaction due to a big number of parties involved; 3) in most cases the interest rate for leasing may be greater than the interest rate for the credit; 4) lessee is obliged to pay the VAT, accounted from the leasing payments, which also includes the property tax. It can be concluded, that the quantity and the significance of the advantages of leasing exceed the disadvantages. Given the governmental support oftentimes leasing is more effective tool for attracting investments in comparison with credit.

RESULTS

Market development for leasing is started in Belarus in 1990s. The first Belarusian leasing company was established in 1990, and on May, 23, 1993 the Association of leasing enterprises was officially registered by the state [4]. Starting from 1994 the legal framework has been developed for the leasing activities in Belarus. In 1995 fifteen leasing companies have established the Union of the leasing enterprises, which transformed into the Belarusian union of lessors on March, 24, 1997. Nowadays the Belarusian union of lessors includes over a hundred of members [6].

Rather favorable regulatory and legal framework for the leasing activities is in today's Belarus. It is constituted by the following main legal documents: 1) Civil Codex of the Republic of Belarus from December, 07, 1998 No. 218-Z, edited on August, 28, 2012; 2) Decree of the President of the Republic of Belarus from October, 01, 2013 No. 450 "On some questions, related to sales of vehicles under conditions of the financial rent (leasing)"; 3) Provision on leasing, adopted by the Decree of the Ministers Council of the Republic of Belarus from June, 04, 2010

No. 865; 4) Tax Codex (special part) from December, 29, 2009 No. 71-Z, edited on January, 04, 2012; 5) Decree of the Ministry of Finance of the Republic of Belarus from April, 30, 2004 No. 75, edited on July, 02, 2010 "On adoption of the Instruction for the propriety of accounting in leasing operations". Legal relations in the field of international leasing are subject to the following regulatory documents: 1) Convention of the UNIDROIT on international financial leasing, signed on May, 28, 1988 in Ottawa, which Belarus has joined in 1998; 2) Convention of transnational leasing, adopted in Moscow on November, 25, 1998, which Belarus has joined on August, 30, 2001. Currently there are only two big leasing companies, which focus on international leasing: joint-stock company "Promagroleasing" and Agricultural Limited Liability Company "Raiffeisen-leasing". joint-stock company "Promagroleasing" is specialized in export leasing (i.e. it purchases equipment from Belarusian producers and transfers it to the foreign users from CIS, EU and Africa). Agricultural Limited Liability Company "Raiffeisen-leasing" focuses on import leasing by purchasing equipment abroad and offering it to the Belarusian companies [7].

CONCLUSIONS

Nowadays, leasing is seen by the government of Belarus as one of the tools to attract investment into the enterprises' activity under the conditions of limited investment resources. 50 specialized leasing companies and 22 banks offer leasing services in Belarus today. The Belarusian market for leasing is mainly oriented towards import leasing. Nevertheless, the usage of the export leasing by the leasing companies in Belarus has prospects. Double taxation of the added value used to be the main obstacle to the development of export leasing. In addition, the lessor had to face a range of legal mismatches between the partner-states; in particular agreeing on contracts with companies from Russian Federation was rather problematic. Thus, Belarus has to coordinate the legal field for leasing within the framework of Eurasian Economic Community and Eurasian Economic Space. Nowadays, most of the issues of international leasing have been responded to by the coordination of the countries involved, but the necessity to solve certain legal deadlocks related to accounting and payment of the VAT by leasing companies and the lessees still exists. Sales of the products of Belarusian companies with the help of leasing provide them with a range of advantages, with ability to expand the market and to increase the sales being the main one.

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COMPLEX USE OF CORPORATE COMPETENCIES MODEL IN HR-MANAGEMENT

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Abstract: *The paper presents corporate competency model as one of the most important tool for human resources management in large companies. Successful experience of domestic energy company has been analyzed, as well as empirical studies of foreign scientific consultants have been justified. By practical example author shows way, how corporate competency model should be structured for successful implementation and further use for the assessment and development processes. The aim of our scientific paper is to emphasize importance of complex use of corporate competency model to influence the corporate culture.*

Keywords: competency, competency model, learning and development, corporate culture, HR-management system

INTRODUCTION

To become anti-fragile and evolve in the face of economic situation uncertainty, large companies need to find out new opportunities to optimize their activities. Companies, whose staff reacts fast to numerous changes in surrounding could save integrity and turn stress into the new developing zone. In these conditions, efficiency of HR management system becomes priority for company's development.

Chemists use definition "octane value" as an indicator of comparative characteristic of fuel ability to resist to self-ignition under pressing. Level of employee's involvement is "octane value" for companies in crisis. Employees should share one vision and speak the same business language to avoid negative internal vibrations and withstand external pressures. Corporate competency model can be a very good tool to increase involvement and competitive levels of staff, as well as it can become "lingua franca" for all employees (Orr, Evelyn, Sneltjes and Guangrong Dai, 2010). There are a lot of approaches to construct a competencies model.

First competency's research as a tool for prediction of performance level was suggested by American psychologist D. McClelland (1973). The research argued that traditional academic aptitude tests, as well as any diplomas on the staff qualification, do not provide success in professional activity. D. McClelland has studied characteristics of successful performers and compared them with features of less successful colleagues doing the same work. He proved that staff effectiveness depends on its certain competencies.

Significant contribution to the competency concept development belongs to R. Boyatzis (1982). Unlike D. McClelland, R. Boyatzis considered effectiveness of personnel work as a process for achieving specific results through the specific actions that support procedures, policies and working conditions in the enterprise.

The most multi-faceted competency-based framework has been created by Lominger Consulting Co. (Lombardo, Eichinger, 1996). According to this model, there are 67 competencies, which lead to success. A competency may be a behavioral skill, a technical skill, an attribute (such as intelligence) or an attitude (such as optimism). These 67 competencies are grouped into 6 factors and 21 clusters. Thus, *the aim of our article* is to reflect dependence between different approaches to the construction and implementing of corporate competencies models and achieved results, as well as level of the firm's maturity correlation with the level of using corporate competency model.

MATERIALS AND METHODS

Four different types of research have been used while our scientific study, i.e. 1) typical; 2) exploratory; 3) descriptive and 4) analytical. Main scientific items on the competencies and corporate competencies models in HR-sphere have been reviewed. Researches of consulting firms, such as Hay Group, McBer and Lominger have been learnt. They are valuable for understanding

of the competencies essence. Exploratory type of research has been used for description the influence of chosen corporate competencies model to the results of the firm's activity (ROI et al). It was stated, there is only D. Ulrich (2010), who investigated such correlation. But he didn't explain how unpredictable can be results of incorrect implementation of corporate competencies model. Descriptive type of research has been used to classify and compare companies by maturity of targets, development and implementation level of corporate competencies models.

Correlative researches between the firm's maturity level and corresponding level of using corporate competency model are valuable because of subjectivity. They involve reflecting on the less tangible aspects of research subject. Analytical type of research has been used to show, why some companies were successful with their competencies models and some of them weren't. For generalization, phenomenological approaches have been used to describe, explain and interpret relation between the firm's maturity level and corresponding level of using corporate competency models.

RESULTS

Researches on companies success with sustainable vision confirm that despite of numerous sources of sampled ways and methods, each company should undergo own developing process and choose own corporate competencies model, because each company is unique and works by own rules. Therefore, having developed own corporate competencies model, company should comply with methodological rigor and avoidance of conceptual uncertainty.

For understanding nature of competencies we should start with its definition. Spencer (1993) defined competency as an underlying characteristic of an individuality that is causally related to the criterion of effective and superior performance in job. Competency is an integral quality of a person, which includes such components as: 1) *skills*: the ability to solve physical or mental problems; 2) *knowledge*: information that person has in certain areas; 3) *self-concept*: visions, values and self-image; 4) *physiological characteristics or properties*: physical abilities to stand certain situations; 5) *motivation*: reason to act for a person.

Today many companies use competency-based approach as a model to improve the staff competitiveness. One advantage of the competency approach is that competencies may be developed in adulthood. There are results of numerous researches, studies on the psychotherapy's influence and self-help programs, cognitive behavioral therapy and educational programs, which have shown that people can change their behavior, mood and self-esteem (Boyatzis, 1982).

It means each manager can affect the performance of its subordinates more effectively if company uses a corporate competencies model. Competencies model is a set of core competencies required for employees to achieve successfully the strategic goals of company. Corporate competencies model spreads on all employees and becomes KM-oriented cluster (knowledge-management) that efficiently combines the knowledge, skills, experience with the intellectual, social, physical and psychological abilities of specific individuals (Pryymak, 2012).

Public Joint-Stock Company "KYIVENERGO" is a part of the energy company DTEK since 2011. It is a good example of successful use of competencies model for such processes as recruiting, assessment and staff development. By complex use of corporate competencies model Public Joint-Stock Company "KYIVENERGO" creates cumulative effect on corporate culture as well. One of the main steps to restructure "KYIVENERGO" HR-management system was implementing corporate competencies-based model of DTEK. Corporate competencies-based model of DTEK consists of 7 competencies that are submitted and described in the *Table 1*.

Each of those seven competencies consists of 4-7 bulletts. Bullet is a part of competency, which can be seen in employee's behavior. Each bullet has clearly defined by level of development (up to four levels). Levels of bullet depend on the following components: 1) coverage functions; 2) responsibility scope; 3) initiative and 4) level of quality.

According to the functions of certain job level of professionals, i.e. entry-level, middle and senior managers are distinguished by different levels of bulletts. For example, middle managers are evaluated by four levels of bullet "Public Speaking" (competency "communicativeness"). Managers at the initial level are assessed by means of two levels and specialists are not assessed at all.

Table 1
Corporate competencies model of DTEK

| Competency | Characteristics |
|--------------------------|---|
| Collaboration | Cooperates with colleagues to achieve team goals. In case of contradictions, sets a priority on the team goals |
| Innovation | Accepts new ideas. Finds new opportunities to increase efficiency. Initiates changes in the workflows |
| Development | Improves professional and personal level. Takes measures for self-development. Divides experience. Takes interest for new challenges |
| Effectiveness | Focuses on achieving results. Provides consistent actions for achieving goals. Assumes responsibility for performance |
| Consistency | Collects and structures information. Decides on the basis of a comprehensive analysis of the situation. Prevents potential interference |
| Organization of activity | Organizes labor activity. Effectively allocates resources |
| Communicativeness | Initiatively deals with. Clearly expresses own thoughts. Defends own position. Is resistant to the pressure during the negotiations |

Source: completed by author

Analysis of corporate competencies model of DTEK shows that it takes into account distinction in functions in different levels of staff; it is objective due to strict evaluation criteria. Today Public Joint-Stock Company "KYIVENERGO" uses the corporate competencies model in main HR-processes: hiring, assessment, promotion, learning and development. Thus, Public Joint-Stock Company "KYIVENERGO" manages key business processes in HR, increases level of staff confidence and willingness to study at different levels, supports informal communication and openness to change and inspires employees to experiment and innovation.

DISCUSSION AND CONCLUSIONS

To increase value of corporate competencies model use and to raise the efficiency of business processes in Public Joint-Stock Company "KYIVENERGO" according to the level of organizational maturity and growing scale of assessment and learning & development processes, it is necessary to implement special module of corporate informational system of ERP (SAP Human Capital Management) and assessment and L&D processes through internal electronic portal of DTEK group. It will lead to a synergistic effect of competencies model using by integrating all functions into a single HR knowledge bank. It helps to identify high potential internal candidates, develop short- and long-term staff development plans and monitor these processes in dynamics.

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CORPORATE GOVERNANCE AS OBJECT OF INTERNAL AUDIT

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Abstract: The determination of governance as object of internal audit stems from the nature of the internal audit, the current requirements, the challenges and expectations to it. Governance and internal audit are in an interesting interrelation. On the one hand, the internal audit is part of the governance, and in particular it is part of its control function. On the other hand, it is expected that internal audit, having an evaluating function, will apply "a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes" [1]. Following the crises in recent years the statutory and regulatory requirements to the corporate governance and the establishment and the effective functioning of the control systems, internal audit, including, have increased. Public expectations are also associated with the implementation of stronger control in the organizations. The determination of governance as object of internal audit and its inclusion in the scope of the audit universe is undoubtedly up-to-date necessity. However, studies show that audits addressing the governance are not among the most commonly practiced. The reasons for this may relate both to the potential of the internal auditors, and the dependence on the organization's management and the overall impact of the control environment on the internal audit.

Keywords: internal audit, corporate governance; corporate governance audits, ethics audits; social and sustainability audits

INTRODUCTION

Modern corporate governance faces a number of requirements and challenges. They largely derive from the need to balance the multiple interests and expectations of all stakeholders. Society becomes more sensitive, critical and demanding transparency, predictability, sustainability and greater social responsibility from the corporate management. Business environment is becoming more risky and thus, more regulated. Expectations to the corporate management and its socially responsible behavior are rising. Such public demand is a prerequisite the internal audit to put its focus on the corporate governance. Moreover, this focus is expected to expand in terms of the need of social nuances in corporate governance, of corporate social responsibility and sustainable development. In this case, internal audit should report to the management, as well as to these management activities to the highest management level.

MATERIALS AND METHODS

Scientific research has been performed. Documents of Institute of Internal Auditors, Institute of Internal Auditors in Bulgaria and Thomson Reuters were used for analysis.

The *aim of our research* is to identify the needs of auditing the governance as object of internal audit and to establish whether the internal audit satisfies these needs.

Such *scientific methods* have been used as: secondary data analysis, comparative-historical method, observation method and method of systemic analysis.

RESULTS

Based on our scientific findings and analysis of the above-mentioned documents, the following results have been highlighted: 1) corporate governance, including its social responsibility and sustainable development management are areas that provoke the public interest and are laden with huge public expectations. Such public importance determines the need for auditing the corporate governance, including on the part of the internal audit; 2) the necessity of corporate governance auditing stems from the conceptual framework of Institute of Internal Auditors and the set therein requirements to the internal audit activity; more significant requirements are discussed below.

Institute of Internal Auditors sets requirements to the internal audit in its conceptual framework, where it is concluded that the governance can and should be subject of the internal audit. The careful reading of internal audit definition⁹ outlines several key aspects that direct the internal auditing to the governance [1]. The first aspect is related to the idea that the internal audit should help the organization to achieve its goals. Professor Simeonov also supports this idea. "In addition to the role to evaluate and assist in the management of internal control system, the internal audit may have also a particular role in the organization of general management, including the processes of target setting" [2]. Evaluation of the goal setting processes that in their nature are management processes is one of the possible ways, how the internal audit can help the organization in achieving goals set. The second aspect gives us reason to consider the management as subject of internal audit, which is connected with the premise that the internal audit applies a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance. It outlines the three main focuses of the internal audit: 1) risk management; 2) control and 3) governance. In the international internal auditing standards these three focuses are defined as the labor nature [1]. Standard 2110 specifies the governance process that should evaluate and improve the internal audit. The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives: 1) promoting appropriate ethics and values within the organization; 2) ensuring effective organizational performance management and accountability; 3) reducing risk and control information and 4) coordinating the activities of external and internal auditors, and management [1].

Audit engagements are aimed at corporate governance, ethics, corporate social responsibility and sustainability. Corporate governance reviews rank No. 14 among 25 listed audit engagements, according to the study of Institute of Internal Auditors Research Foundation (IIARF) [3], as 45% of the surveyed internal auditors stated that they have had involvement in such audits. The comparison with other types of audit shows that corporate governance review is far away from the common type of audit, e.g. operational audits, whose rate is 89%.

Study of Thomson Reuters [5] shows that corporate governance is area for 27% of respondents. Despite the fact that this percentage is far away from the most common types of audit. There is a positive trend, growing from 20% in 2013 and 18% in 2012.

Study of Institute of Internal Auditors in Bulgaria shows [4] that in Bulgaria the corporate governance review take the 14th place in the spectrum of 24 internal audit activities. This type of audit is performed by 36% of the surveyed internal auditors, and the expectations are that this percentage will increase to 45% over the next five years, i.e. 7%-increase in this type of audits is expected.

Study of Thomson Reuters [5] shows that nearly half of all surveyed internal auditors (49%) have had no involvement in assessing their firm's culture. There are distinct regional variations with respondents from South America reporting that three-quarters (77%) of internal auditors have not assessed the culture of their firm. 68% of the respondents in the survey of the Institute of Internal Auditors Research Foundation (IIARF) [3] have performed ethics audits. Further analysis of the expected changes in the top 5 roles that the internal audit function will have in region shows that the highest percentage of respondents expecting corporate governance reviews and ethics audits to be performed in the next five years (if currently not performed) came from the Middle East (39% and 30% respectively), Latin America / Caribbean (30% and 23% respectively), and Eastern Europe / Central Asia (29% and 25% respectively). The overall average response was 23% for corporate governance reviews and 19% for ethics audits [3]. 25% of the surveyed internal auditors in Bulgaria have performed ethics audit. It is expected that this percentage will increase to 48% or there will be an increase of 23%. According to study of

⁹ Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps to accomplish an organization its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Institute of Internal Auditors Research Foundation (IIARF) [3] social and sustainable audits are one of the top 5 least performed activities ordered per rank. Social and sustainable audits present within the scope of the internal auditors only 20% of the respondents. For Bulgaria the percentage of audit engagements related to social issues and sustainability (CSR, environment, etc.) is 14% with an increasing trend in the coming five years, as the expected level is 34% or an increase of 20% [4].

DISCUSSION AND CONCLUSIONS

The general conclusion: corporate audit is not among the priority objects of internal audit. As a possible reason can be indicated the deliberate neglect of this topic for fear of conflict with the government and fear of the internal audit from pressure. Statistics show that it happens in the practice of internal auditing. Just over one fifth of the surveyed internal auditors in Bulgaria report that in their practice there have been instances where they were subjected to pressure to change the importance of the audit findings or not to include certain findings in the audit report [4]. For Africa and the European Central Asia region data about the answers to the same question show that 35% and 31% of the internal auditors have been subject to pressure. For the Middle East the percentage is 24, Western Europe – 23, Asia and the Pacific – 22% and Latin America and the Caribbean – 19%. This problem is not negligible in the USA and Canada also, where 15% of the internal auditors have positively responded [4]. Another possible reason for the restricted conduct of audits addressing the governance is the insufficient capacity of the internal audit to deal with this type of audit tasks. It is possible that internal auditors do not feel sufficiently competent and confident in state management. Unsuitable methods and planning errors can be the cause for the neglect of corporate governance as subject to the audit.

In conclusion, it can be summarized that it is necessary the internal audit to include in its scope more often the corporate governance issues, including social responsibility and sustainability. For this purpose, an important support from the highest management level is needed, which should ensure the independence of the internal audit. Good interaction of the internal audit with the management and building relations of trust and mutual respect are essential. Reinforcement of the internal audit capacity, developing the necessary competencies, including expanding knowledge through training and/or attracting appropriate experts are possible measures that would favorably affect the effectiveness of internal audit activity as well as the assurance of internal auditors.

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EMPLOYEES' REACTION TO THE INNOVATIONS IN PRIVATE BANKS

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Abstract: *The problem of effective and sustainable development of banks is one of the key business issues. Changes in business environment demand proper reaction in banking sphere and its internal transformations. One of the key mechanisms of such reaction is implementation of innovations. Innovations determine the banking development efficiency. Employees' reaction is different to these changes depending on bank restructuring or innovations. Initial reaction to changes which is necessary to overcome by means of correct management is natural for employees. The activity of private bank "Davr" is considered in our article; it is directed on customers' supply by means of implementation of innovative ideas. Innovations and their embodiment into new bank products and techniques are the basis of bank economic development. Innovative influence on the banking employees' behavior as well as on clients' organizational behavior is analyzed by example of private bank "Davr".*

Keywords: *innovations, organizational behavior, banking, HR-management, innovative processes*

INTRODUCTION

Innovations are inevitable process into the bank. The forthcoming innovations are considerable to declare psychological protecting mechanisms of many bank employees. These mechanisms start opposite employees' reaction to the future innovations, i.e. bank employees' resistance to the innovative processes. New technologies demand creation of new banking services; in turn, it can cause of new organizational structure in bank, i.e. liquidations unnecessary departments and creation of new structures etc.

MATERIALS AND RESEARCH METHODS

To reveal the innovations' influence on the employees' organizational behavior and on the managers' behavior in private bank "Davr" we have used poll method. Our analysis showed, what not all innovations can be really innovative. The estimation of an optimality of changes is quite difficult stage in the innovative bank development. Innovations are focused on the concrete client. Thus, bank managers should possess novelty for both to satisfy a market demand and to make profit for the bank. Novelty of innovations in bank is very important indicator. It is estimated by means of technological parameters from the market positions. For the analysis of innovations implementation in "Davr" bank we subdivide two elements, i.e. "service innovations" and "processing innovations". Service innovations include implementation of new bank services for clients, such as Internet-banking, "client-bank" system and so on. Processing innovations suppose new organizational methods to provide banking. Processing innovations are connected with the creation of new organizational structures into the bank.

Depending on the depth of changes we consider such innovations as radical and private. Depending on the novelty degree we consider radical, combinatory and improving innovations. These innovations are considered through the innovative scale, novelty and intensity of innovative changes. The quantitative and qualitative estimation of innovations helps in administrative decision making in certain bank. Thus, attracting of the new experts with advanced knowledge and skills has caused changes in both technological chain of bank services and its social structure. Extended innovations in bank have solved a problem of their social structures' integration and helped to reach aims successfully at the same time. Bank abilities to survive are explained by its adoption to the constant changes. Realization of intended changes should not enter into the contradiction

with the traditional forms of the customers and managers behavior which has developed in bank. Vice versa, well-planned innovations are able to fill in existing traditions with the new maintenance to make the bank more attractive to employees and clients. When the bank is on lifting, employees see searching for new forms of activity unnecessary, as their result is unknown and there are risk elements. Mostly, innovations are accepted hard by middle management, which is the guarantor of bank stability. Simple bank employees, who trust in the competent top-managers, have less resistance to innovations. However, they can distrust to innovations and can be against of their implementation under the influence of the middle management. It is well-known; behavior of each person is focused, first of all, to the stability and social care.

Under traditional conditions, actions of bank employees are habitual; mainly they are based on automatism. In other words, existing situation is represented as an ordinary and convenient. It is necessary to overcome resistance for implementation of innovations. As such vision is new, it is necessary to start changes at the level of bank top-management, which is more resistant to changes at all subordinate levels. Resistant force depends on employees' knowledge concerning foreign policy in bank, understanding an importance of changes for a bank, as well as vision of their own role in bank. Thus, each bank employee should correlate innovations to own purposes and benefits.

For the analysis of resistance process it is important to analyze changes its principal causes: technical, political and culturological. Technical reasons are connected with actions, i.e. specifications of bank which represent ways of HR inclusion into banking activity. Political reasons are connected with authority redistribution at structural and culturological changes in bank. Culturological reasons are connected with the change of value orientation and existing social norms in bank.

RESULTS

The main problem to implement innovations in bank is the unpredictable reaction of people (staff and clients) to these changes. As our researches show, such factors as people's reaction to changes, tolerance to uncertainty and prejudice that events depend on them are putted in the middle of reaction to innovations' implementation in bank.

Our analysis has shown that bank employees show explicit resistance to innovations (10% of respondents). There are innovators (45% of respondents); their motto is: everything that it is possible to improve, it is necessary to improve. 10% of respondents accept new ideas irrespectively on degree of their study and validity. There are also rationalists (35% of respondents); they accept innovations only after the careful analysis of their utility, probable difficulties etc.

Skeptics have been revealed; they don't believe to any, even obviously useful offers. Other part is conservatives; their motto is: nor innovations, nor measurements and neither risk. Next part is reactionaries; they reject all new at all. Thus, as we can see, bank employees are inclined to resist to any innovations. Resistance to innovations in bank are understood as an any employees action directed on discredit, delays or counteraction to realization of changes in the current work. The analysis has shown that bank employees are resistant to innovations because of three reasons: 1) uncertainty; 2) fear to lose existing benefit and 3) belief that changes bring nothing good. Thus, threats to innovations can be real or imagined, direct or indirect, essential or insignificant. The first reason means that people resist to changes because that they don't know their results and consequences. The second reason explained by fear to lose, what people have already. Each person gets used to the certain composure. Naturally, he/she is afraid to lose it as a result of any intervention into a habitual lifestyle. People consider that innovations reduce their role in decision-making, informational freedom and appeal of performed work. The third reason discovers opinion of many people that innovative change is unnecessary and undesirable.

CONCLUSIONS

At the resistance based on absence of the information, inexact information or its incorrect analysis, it is necessary to receive the consent to changes from the staff when they will be convinced. But a lot of time is necessary, if many people are involved in this process.

In situations where initiators don't possess all necessary information on innovations and where employees have considerable resistance, it is necessary to help people to realize necessity of changes. But a lot of time can be demanded. Moreover it can cost mistakes in realization of these changes. In cases when staff shows resistance only because of fear or private problems, optimal tactic is necessary for the solving of these problems. But it can take a lot of time and will be useless.

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UKRAINIAN INDUSTRY PERSPECTIVES ON THE GLOBAL MARKET OF THE MANUFACTURING OUTSOURCING

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Abstract: *The article describes an expediency of the access to the global market of the manufacturing outsourcing by Ukrainian industrial enterprises, premises and obstacles of this process. Political and economic instability, "black" economy and unstable legal framework, crisis and unstable financial status of many companies reduce the competitiveness of Ukraine on the outsourcing market. But a large number of research organizations, powerful industrial enterprises and a significant amount of skilled labor create good prerequisites for Ukraine's stable position in the global outsourcing market. The article offers such areas of the outsourcing services provision as: research and development outsourcing, certain parts of the production process outsourcing, assembly operations outsourcing, full manufacturing outsourcing.*

Keywords: *manufacturing outsourcing, industry, enterprise, outsourcing global market*

INTRODUCTION

Ukraine has all the prerequisites to enter the manufacturing outsourcing global market today. Its competitive potential ensured by a sufficient amount of human resources that got higher or secondary technical education and had practical experience, low wages for highly skilled labor, a large number of research institutes and industrial enterprises that are not loaded to full capacity. However, it's necessary to realize a lot of changes at the national level and at the most of enterprises to provide the attractiveness of domestic companies for foreign partners.

MATERIALS AND METHODS

This article is based on the research results of the Ukrainian and foreign scientists, the information of the analytical reports, official statistics and public information of companies [1-7]. The methods used in the research are analysis and synthesis, classification and systematic approach.

RESULTS

There are some significant barriers to enter Ukraine into the world market of outsourcing. *First*, potential customers are worried of political and economic instability in Ukraine. A long-term investment in Ukrainian companies is risky because of endless antiterrorist operation and partial occupation the territory of Ukraine. The *second* problem is a quick rising of "black" economy of Ukraine and unstable legal framework, ineffective judicial and law enforcement. Therefore doing business for developed countries is mostly unprofitable. According to the information of International Centre for Policy Studies, 40% of GDP in Ukraine were produced in "black" economy in the first quarter of 2014. According to international experts' opinion, the volume of proceeds derived from corruption and economic crimes exceeded 10 billion USD annually. Foreign partners don't accept the informal workers at the enterprises. According to the information of the Ministry of Income and Fees of Ukraine, there were about 80000 employees, who worked without labor contracts with employers in January-October, 2013. The "black" salary amounted to 200 billion UAH annually [6]. The third problem is a poorness and unprofitability the most of Ukrainian industrial enterprises. In January-May, 2015 the volume of industrial production fell by 21.2% in comparison with the same period of 2014. This decline reflects financial results of the industry enterprises. Only 63.2% of industrial enterprises had a profit and 36.8% of enterprises sustained losses in 2014. Profitable industry activity in January-March, 2015 is observed for: mining industry and quarrying (18.9%), manufacture of basic pharmaceutical products (16.7%), manufacture of coke and refined petroleum products (12.1%), textile manufacture, clothing, leather, leather goods and other materials (3.5%), metallurgical production, manufacture of fabricated metal products, except of machinery and equipment (3.5%), manufacture of food

products, beverages and tobacco (1.5%). Mechanical engineering is unprofitable activity in Ukraine. Its unprofitability is -11.4% [7].

However, there are some good entrances for the Ukrainian industrial enterprises into the global market of manufacturing outsourcing. Most machine building plants and research institutions in Ukraine were created in USSR times. Almost all of them do not have a closed production cycle. They developed and produced components. The final production was the result of a number of enterprises' work that was located in different regions of former USSR. We can say that Ukrainian industrial enterprises have been established as manufacturing outsourcers or final producers that passed the part of the production cycle to outsourcing to other companies inside the country. Created economic ties were lost recently. The defense industry, scientific and technical cooperation between enterprises of former USSR was interrupted during last three years. Thus, Ukrainian enterprises cannot produce something in conditions of broken industrial chain. To get out of this situation is possible only through a search of customers from Europe and Asia who will be interested in cooperation. Ukraine has significant scientific potential to realize it. There are a large number of scientific institutions in Ukraine. Their number amounted to 999 in 2014. 16090 doctors in different scientific spheres and 86230 PhD are involved into the economic activities in Ukraine. There are a large number of higher educational institutions that prepare high-qualified specialists in our country. There were 387 universities and 277 technical schools and colleges in Ukraine in 2014-2015 academic years. 405400 students were graduated from the universities in 2014. 27622 graduates and 1759 doctoral students were studied in 2014 in higher education and research institutions of Ukraine [7].

These problems are justified the need to consider manufacturing outsourcing as opportunity of economic recovery in Ukraine. There are several directions of manufacturing outsourcing to join the global market for Ukrainian enterprises (*Table 1*).

Table 1
Involvement of Ukrainian industrial enterprises as manufacturing outsourcers

| Outsourcing type | Characteristics | Prerequisites of use | Possible difficulties |
|---|--|--|--|
| Research and development outsourcing | Creation on the basis of current research institutes and industrial enterprises, which include design offices innovation centers that provide research and development services to foreign organizations | The large number of engineering and technical workers with higher education and academic degree; branched structure of research institutes and design offices; low start-ups and investments | Lag of applied technology and research laboratory equipment from the latest world achievements, low motivation of scientific and technical staff in professional growth, lack of trainings and internships |
| Certain parts of the production process outsourcing | Current production some components, assemblies for the final product at the industrial enterprises for the foreign consumers using their technologies | Wide production capacity of domestic industries; no need for "from scratch" production; enough engineers and workers | Depreciation of production facilities; the need for HR-trainings, modernization and new technologies of production development |
| Assembly operations outsourcing | Completion of brand goods at the domestic enterprises. High-tech and innovative operations are performed abroad and technology is not transfer to Ukraine. Such goods will be sold in Ukraine | Existing domestic capacity of industry and high skilled staff at a level sufficient to perform assembly operations. A very big sales market in Ukraine | Low purchasing power, the need for gradually scaling up production capacity to reduce the risk of a glut of supply |
| Full manufacturing outsourcing | The full implementation of the production process using foreign technologies that have a famous brand. The produced products will be sold for both in Ukraine and abroad | Current enterprises with a closed production cycle cannot rise competitiveness because of absence of the new technologies; lack of technological equipment, uncertainty of own brand | Risk of reproduction of a full-production cycle developed by foreigners; its adaptation to local production; risk of setting up the organization and management |

Source: developed by author

Ukrainian research institutes and industrial enterprises that include design office may stay competitive at the market of research and development outsourcing. Their success depends on interest of foreign partners for joint research. It may be possible in missile, nuclear and aircraft industry. As an example of successful collaboration between Ukrainian and foreign partners in this area we can remember the joint project Design office "Yuzhnaya" and international company "Sea Launch". Certain parts of the production process outsourcing is available for companies that have substantial manufacturing capacity and trained staff, but do not have a closed production cycle. Also it may be recommended for enterprises which have uncompetitive product, but some components, machines or production processes are performed at a high level. The biggest machine-building enterprises of the former USSR support these conditions. Powerful defense state enterprise "Malyshev Plant" manufactured diesel engines 6TD-2 for modernized version of tanks Al-Khalid that were developed by Chinese company "Norinco" and Pakistani company "Heavy Industries". Tank has been manufactured at the production facilities of Pakistan, except of the engine, because Ukraine is able to produce one of the most reliable models of tank engines that are able to work in a hot climate.

Outsourcing of assembly and other operations that is the final stage of the production process is appropriate for enterprises that are close to the markets. It is actually for products that could be difficult to import to Ukraine because of the hardship of transportation and a significant import duty. One type of such products is cars. As an example of outsourcing we can remember the cars production of Czech brand "Skoda" in Ukrainian enterprise joint-stock company "Eurocar". Full manufacturing outsourcing is possible for companies that have all the necessary resources for the entire cycle of production but do not produce their own products because it is uncompetitive or unknown to the market. In this case, it is better for them to take orders for manufacture of production of well-known brands by their technology. It may include the possibility of updating production facilities, development of new proven technologies and staff training. Full-manufacturing outsourcing has been provided by Ukrainian enterprise "Auto ZAZ" for Korean company "Daewoo Motors" (a part of General Motors US Corporation). "Daewoo Motors" has invested in "AutoZAZ" 150 millions USD in 1998. In addition to investment "Daewoo Motors" gave new technologies, unique quality control system and its own engineering development.

CONCLUSIONS

These examples show that the Ukrainian industrial enterprises have opportunities to enter the world outsourcing market. In practice, the provision of outsourcing services helps to attract foreign investments and technologies. The enterprises those are successful outsourcers could become leading producers of their industry, create their own brands, start to produce good focused both on the domestic market and foreign. Participation in international outsourcing contracts has national importance due to creating new jobs, growth workers' welfare, and inflow of foreign currency funds from abroad. However, there is a great competition in manufacturing outsourcing in the world. Its leaders are China, Philippines, Malaysia, Indonesia, and Vietnam. Eastern European countries, Turkey and former USSR-countries enter this market slowly. It is important to study the positive experience of significant players of the manufacturing outsourcing market and assess the perspectives of Ukraine.

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CRITICAL ANALYSIS OF PUBLIC RELATIONS ACTIVITIES FROM THE CULTURAL ASPECT

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Abstract: This article analyses the impact which is made to the international public relations actions by cultural features, existing in the international environment. First of all, it aims at revealing the importance of understanding cultural factors in preparing and implementing the program of global public relations. Moreover, considering the variety of theoretical concepts, the concept of culture is analyzed, emphasizing the composing elements. Analysis of some certain cultural nuances is provided at the end of the article.

Keywords: public relations, cultural factors, international environment

INTRODUCTION

Since the globalization process is rapidly developing, public relations became a necessity as a separate activity, so that organizations would be able to communicate efficiently. It is especially relevant for international institutions and organizations (C.D. Balaban, I. Doornkaat, 2009). Since borders between countries became very small, public relations of organizations are declared as global and international. According to I.R. Wakefield (2008), it is very difficult to manage international public relations, it is rather complicated because of political, economic and especially social factors of a country, which may sometimes be unpredictable and are paid only little attention to. People speak in different languages, have their own beliefs, habits, customs, traditions and even the phenomenon of globalization cannot change that, although it has already been making influence for a long time. Reckless PR actions can cause irreparable damage, therefore, when acting in another country and performing the actions of establishing and maintaining public relations, it is important to consider such factors as the culture of this country, behavior, traditions and similar things.

The benefits and importance of international public relations was analyzed by authors, such as J. Jonušas (2015), J. Dabratvalskytė, J. Vveinhardt (2015), L. Maciukevičienė (2011), I.R. Wakefield (2008), Walton and Wakefield (2010), I. Doornkaat (2009), Zaharna (2000), M.A. George (2003), C.D. Balaban, Wilcox et al. (2007), V. Pipirienė (2011) and many others; however, there is a lack of scientific research on the influence of socio-cultural factors to the public relations actions.

The object of this article is cultural factors influencing public relations.

The goal is to perform a critical analysis of the public relations actions in international arena based on cultural aspects, regarding a great variety of theoretical concepts.

MATERIAL AND METHODS

In order to implement the goal, which was raised in the article, first of all, the aim was to establish the theoretical concepts and methodological approaches that are used in defining public relations; therefore, for this purpose, the analysis of scientific literature was performed. Moreover, considering the variety of theoretical concepts, the aim was to identify the factors that influence public relations, putting an emphasis on their differences in various countries; for this reason a comparative analysis was also performed in the article. The method of summarizing allowed highlighting the main theoretical aspects that were identified during the research.

RESULTS

According to R. Zaharna (2000) and according to, as she claims, many other scientists, the main function of international public relations is to represent a company not only in its national market, but also to establish contacts with target audiences in a foreign country.

According to Wilcox et al. (2007), leaders of communication who had forecasted that the social and technological changes would affect the aspects of public relations were right. The integrated global economics is consisted of every country's economy and business. Organizations that wish to operate internationally shall not forget that good relations with society of a particular country are also essential. However, the public relations actions may differ in every country, depending on cultures of these countries, features of business performance and, undoubtedly, languages.

According to V. Pruskus (2013), culture itself is understood differently, however, the most prevalent is anthropological approach, by which the latter one is described as "a whole of human society performance results in all spheres of human life and of all factors (ideas, beliefs, customs, traditions), influencing the life of a nation, a class and a social group" (p. 122). Because of the changes that were mentioned by Wilcox et al (2007), the communication with the society of a particular country may differ greatly, therefore, the public relations strategy of an international company from one country may not help in reaching the goals when applied in another one. This is also confirmed by M.A. George (2003), who claims that international public relations cannot be separated from multicultural public relations, since as long as all of the actions are directed to a client from another country, it also influences cultural aspects. Communication specialists V. Pipirienė and L. Maciukevičienė (2011) agreed with experts Wilcox et al (2007), claiming that cultural features are especially relevant in aiming at the development of international business. In fact, "maintaining business relations with people from different cultures is relevant and of vital importance to the growth and prosperity of a business" (N. Petkevičiūtė, Š. Kupinas, 2012, p. 81). Cultural peculiarities are common in all countries. This means that every country has a certain cultural shade, which is characteristic to that country only. Difficulties in communication regarding language, culture and customs are encountered not only in society's life, but also in business; therefore, according to J. Jonušas (2015), not only efficient management, but also assessment of such factors as language, culture, traditions and their specific communication aspects would help in reaching for the positive working results.

It also should be noted that cultural characteristics are important in the case of international business communication, especially in the field of official communication during the negotiations and the like. According to D. Diskienė (2009), businessmen need to come into contact with the representatives of other cultures more and more. When cooperating with people, whose values and attitudes are different from theirs, they often experience unpleasant situations in the field of business. This is due to the ignorance of local culture and national mentality as well as not knowing certain nuances or devaluating a culture, which is an important factor. In the international environment, certain living and operational ways of residents from another country are still often assessed according to the criteria of their own country.

One can often hear them say that the globalization processes help form the general culture of the world. In fact, there are many products, kinds of services and various phenomena that are widely spread all over the world, such as McDonald's, Coca-Cola, credit cards and Christmas. But that does not mean that these things have the same importance in different countries. If a company wants its goals, philosophy, manufactured products and services to not only be simply understood, but also employees, partners and clients of different cultures to believe in them, it must be aware of what all this might mean for representatives of different cultures.

It is worth noting that cultural aspects also have influence on the internal operation principles of an organization. Products, technology and equipment may be stereotypical, i.e. the same in different countries, but the management structures, payment systems, performance assessment methods, certain channels for disseminating information, and ways of management may be similar; however, it will have a different meaning for representatives of every culture.

The communication pace, which is increasing during the recent period, the efficient communication in the international business environment become a challenge for both separate companies as well as national economies of various countries. It is very important to notice, understand and tolerate the diversity of cultures, i.e. to have cultural competence in the business

sphere. This is also confirmed by Pruskus (2003), who claimed that after understanding the cultural values cherished by other nations and comprehending their significance, it is useful to expand your cultural knowledge and upon entering the different cultural environment, to become not only an observer, but also to integrate as well as become a part of that cultural environment.

According to P. Diskienė (2009), "We should not think that the culture is only an obstacle for a successful activity. Cultural differences may be treated as a source of competitive advantage, which could bring tangible benefit. Therefore, the cultural advance appears from different values and worldviews of the culture (p. 1)".

The organizations that operate in the international environment should be aware of the importance of relations with a community of a specific country. It is also important to know that the actions of public relations may be different in each country. The cultural features of a country, for example, certain language nuances, functional aspects of business, etiquette and meanings of colors are only a few elements of many, which compose the culture and which need to be considered when communicating with the society. The awareness of these and many other cultural principles when performing public relations may bring the results, which are much more positive.

International PRs are actions, which are planned and organized by a company, institution or government in order to create mutually beneficial relations with the society groups of foreign countries. These groups of community may be defined as various groups of people, which are affected or might affect the activity of a certain company, institution or government. International PR requires even more attention than national PR, since some certain advantages and the variety of languages, laws and cultures and different countries create many serious problems. Furthermore, both managers and employees should learn to think and act globally as soon as possible. According to Wilcox et al (2007), companies that have branches in many countries each year spend more than one million US dollars for educational materials and teachers' travel costs. The general approach to the needs of the clients is cherished by seminars and trainings; therefore, it is very useful for the increase of PR development and maintenance strategy. Researchers J. Dabravalskytė and J. Vveinhardt (2015) also had a similar opinion and claimed that "the representatives of the Lithuanian business sector increasingly need to cooperate with partners from other countries, while their values and beliefs are different. Therefore, intercultural competence of leaders and managers as well as its improvement in the business organizations become more and more important at the micro and macro-level (p. 28)".

The organizations, acting in the other country, often face some certain challenges, which may not only complicate their activity, but also to force and terminate this activity directly or indirectly. After reviewing the experience of many organizations, it is possible to distinguish the following main factors of public relations, which strongly affect international business: 1) forming and maintaining a favorable public opinion; 2) cooperation with local and national government, groups of users, financial community and employees; 3) foreseeing and assessing unfavorable situations as well as choosing ways by which they may be managed; 4) immediate management of crises, in order to prevent great damage. However, these problems can also be aggravated by such subjects, which may seem insignificant at the first glance (*Figure 1*).

As it is seen in *Figure 1*, it may be difficult for the organization to develop its business in the other country because of historical events in the past, stereotypes, certain opinion created by other organizations and other factors, which are directly related with the organization. Furthermore, it is useful to distinguish some facts that are related to the languages, the ignorance of which could do indirect harm in various business situations, such as negotiations, in order to inform about the products of the organization and so on: 1) the way of communication is very important for the French, since they like drama and emotions, while the Germans trust facts more and everything that is written down; 2) the notifications provided in the Asian and African countries are often unclear and therefore the persons, who arrive there, shall try and learn "to read between the lines"; 3) the Americans, who are mostly seeking to transfer the information, emphasize the function, essence, meaning and accuracy; 4) words sometimes do not have the same meaning in different languages. For example, a manager of the car company *Chevrolet* could not understand why they could not sell their car *Chevy nova* in Latin America. Then they found out that even though in Latin, the word *nova* means "new", but in Spanish, *no va* means "it does not drive".

| | | |
|---|--|--|
| Language differences and several official languages | Obvious or subtle differences in customs | Negative opinion on multinational companies |
| Long decision-making process within the company, leading to the main headquarters | Different media and PR levels | Obvious differences in customs |
| Assessing the values, norms and behavioural properties of another culture through your own "cultural glasses" | Excessive confidence in own opinion as well as the significance of own culture | Different media and PR levels Unfavourable opinion, which is mainly caused by national pride, negative experiences in the past, jealousy and fear |

Figure 1: Factors influencing the PR actions

Source: Diskienė, P. (2013), *Tarpkultūrinė vadyba*, p. 65; V. Pruskus (2013), *Trapkultūriniai konfliktais: kilimo priežastys ir kompetencijų vaidmuo*, p. 81

As it is shown in the examples below, cultural differences and different approach to the same subjects may create even bigger problems, especially when expanding your business to international markets: 1) in the United States white color symbolizes purity and in many Asian countries, white color means death. These facts may also be very significant, for example, in the field of advertising; 2) during a banquet in China, tables are never numbered. The Chinese think that numbers make guests feel uncomfortable, therefore they prefer to give flower names for tables, for example, primrose, hollyhock, etc.; 3) managers, whose nationalities are German and Swiss, call each other by surnames and think that addressing each other by name is not polite, especially in public events; 4) in Korea, the etiquette requires to not only fill in the glass of your guest, buy our own glass; 5) news reports in Malaysia shall be published in four languages, so that it would not displease any segment of the press; 6) Japanese consider that direct saying "no" is an insult and therefore they use euphemisms.

To sum up, we may state that when preparing the PR strategy for organizations, acting internationally, it is important to draw attention to many factors existing in a particular country, such as differences in languages, customs or attitudes towards certain subjects, the predominant method of communication as well as to find out whether certain symbols or colors used, do not have an undesirable connotation for the organization. As those factors and values are practiced in the way that considers and respects all beliefs and traditions, effective global communication can become a reality (Walton and Wakefield, 2010).

CONCLUSIONS

International public relations are actions, which are used to form and maintain good relations not only at national but international level as well. Such maintenance of relations is even more complex and it is a process, requiring long-term and continuous efforts. We should consider many factors existing in a particular country, because the ignorance of them may not only be unhelpful in reaching your goals, but also to provoke negative public reaction concerning the organization or institution.

International public relations require special attention. Social-cultural factors are often ignored, forgotten or it is considered that they do not have great significance when reaching for the goals of organization. However, the analysis of cultural features has shown that the ignorance of the latter features also has a great role, as well as the factors, which are important in the international environment, such as relations with government of a country, knowledge of legal basis, etc. When preparing the strategy for international public relations and implementing the public relations actions, it is very important to know the culture of the country, where acting is, i.e. the behavior of the community, customs and traditions, to know the significance of certain colors and symbols.

There are also factors influencing the strategy of public relations and those are close relations with governmental institutions of this country, the created team of the organization and the culture that is prevailing there (mostly for the internal communication) and others.

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INFRASTRUCTURE SYSTEM OF UKRAINIAN AGRICULTURAL COMPLEX AT THE CURRENT STAGE: ROLE AND CONDITIONS

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Abstract: The article researches present state of activity and development of Ukrainian agricultural complex infrastructure. There is an approach, used in the work, according to which infrastructure complex is considered as a system of several branches that are related with each other and in the sum create a full value infrastructure picture of agricultural industry. There are such constituents of agricultural infrastructure as transport, storage, trading, financial, informational and educational facilities; each of them is investigated with its role, development level and prospects. In the article authors are trying to find the reasons of the processes, that has spread in the system, looking for decisions, that may help to solve existent problems etc.

Keywords: agricultural infrastructure, transport system architecture, agricultural exchanges, governmental regulatory policy, modern business requirements, competitiveness, mechanisms of agricultural output realization

INTRODUCTION

Agricultural complex is a guarantee of steady and successful governmental activity for all the countries all over the world, as agricultural sector provides country and its citizens with essential commodities, which ensure state's food and supplies security. Largely the operation of agricultural system depends on its infrastructure facilities, which service and combine all the agricultural complex branches. Consequently the level of infrastructure development determines the level of agricultural production in general. That is why research of modern conditions of agricultural infrastructure of Ukraine is so important, as it may show current and prospect ways of economic development.

Unsolved problems and issues: Although a number of studies have been conducted during the last two decades there is still not enough research of modern situation of agricultural infrastructure. Many of existing works are outdated, that is why there appears a necessity to refresh views and data, considering new trends and reality.

Purpose of this article: This paper aims to investigate development and specifics of agricultural infrastructure complex, to determine its real conditions and future prospects.

MATERIALS AND METHODS

Agricultural sector is one of Ukrainian development priorities nowadays and in a long run. Therefore there are many works that observed the mentioned theme, especially infrastructure of agricultural complex. But many of these works are outdated, that is why there appears a necessity to refresh views and data, considering new trends and reality.

A complex analysis of infrastructure facilities and their role in system's activity was thoroughly described by O.S. Golovachova [10] that gives a deep review according to system's constitution. A wide range of issues in financial and trading branches of infrastructure were investigated in the works of Ukrainian scientists such as O.O. Shmyha [2] and M.M. Treshchov [11]. An important place in the research is occupied by materials of governmental institutions: Ministry of Agrarian Policy and Food of Ukraine [4, 5], State Statistics Service of Ukraine [8, 9] and National Institute for Strategic Studies [6]. Specialized information about some separate divisions functioning is spoken about in mass-media sources: Rivnist v Ukrayini [3], RBC-Ukraine [7]. In the investigation the following scientific methods have been used: analysis and synthesis, deduction and induction, abstraction and comparing, analogy and method of graph description and others.

RESULTS

The efficiency of an agricultural sector of economy functioning and a level of its international trading integration depend greatly on the agricultural infrastructure system conditions. Herewith the infrastructure comprises not only wholesale organizations or shipping companies, where it is usually associated, but also a lot of specialized financial, educational, informational and judicial institutions, playing a very important role in the system's running.

In case of country, wide approach to the "infrastructure" notion (from Lat. "infra", below, under + structure = framework, structure) it is defined as a constituent of economic and political life mechanism, that has adjuvant importance and assures a normal activity of the economic and political systems in general. In other words, infrastructure is a basis, background, and internal constitution of economy [1].

O. Shmyga determined agricultural infrastructure as a totality of auxiliary links and organizations that ensure efficient activity of agricultural economy. According to his opinion, agricultural infrastructure involves wholesale institutions (commodity exchanges, wholesale markets, trading houses, fairs and auction), retail enterprises (city and village markets, retail shops, public dining establishments), shipping companies, storage facilities, communication ventures, agencies of standardization, certification, financial organizations, research centers [2].

Speaking about the agricultural infrastructure, first of all, we should observe the infrastructure of grain complex, that is one of the biggest and the most strategically important constituents of agricultural industry and economy altogether.

In 2014 there were more than 1200 granaries with the total capacity near 41 million tons that can be fixed like certified (without counting of adapted for storage of grain objects in small and middle agricultural ventures), although the certification of granaries was abolished in April, 2014. If counting, that the peak load on the granary system in 2013 was estimated to be 62,8 million tons of grain plus about 15% of total volume on technological needs, the real capacity for 2013 harvest amounts 72,2 million tons. Consequently about 30 million tons of grain was stored in adapted places instead of certified facilities [3]. In conclusion there is a great deficit of appropriate granaries.

Due to the planned increase in grain production (Ukraine tends to gather 100 million tons of grain) the building of storage chain is a very important and necessary step. That is why a new drying gear (with output about 120 tons of grain in an hour) will have been put into operation in the grain terminal of "Uzhniy" seaport by October, 2015 and by April, 2016 a new storage facility will have been launched [4].

For the last five years the architecture of market's transport system has been changed considerably. The fraction of railway transportations of grain has decreased from 70 to 60%; the fraction of automobile shipping has increased from 27 to 35%. At the same time the share of river transportation of grain was extremely low. Therefore there is an excellent perspective to raise the volumes of agricultural conveyance (first of all grain) by river transport usage. Moreover there is an opportunity to use the Dnepr and the Southern Bug for river shipping almost all year long in case of ensuring some special means in some river sections (by doing the bottom deeper, for example). Furthermore the mentioned above rivers cover the main regions of grain cultivation. It helps to cut transport costs noticeably [5].

Nowadays the fraction of river conveyance of grain in Ukraine amounts to 5%; in comparison to 25 and 55% in France and the USA respectively. Transportation by the Dnepr is not new for Ukraine. During the times of the USSR has existed an annual shipping volumes amount to 60-70 million tons. But today Ukraine doesn't have its own fleet practically. In 2000 Ukraine had 1670 boats, in 2010 only 904 boats, in 2013 just 635 boats, including tug boats and auxiliary fleet. It means, that Ukraine should revive its own and attract foreign river shipping companies [5].

Concerning the railway transport, the vast majority of rolling stock is outdated and overloaded. The most of railroads are mounted on the wooden sleepers; 15-17% of them are unsuitable for further using [6].

Retardation in transport system development (especially in rates of road building) has been noted. There is a problem with the insufficient railway and automobile domestic production

(the amount of automobile and railway manufacturing in 2014 decreased by 40 and 54,7% in accordance) [7]. It means that above-mentioned agricultural infrastructure elements don't fit modern business requirements. And the biggest problem is the undeveloped market infrastructure (wholesale institutions and exchanges that play a leading role in European countries' wholesale agricultural products trading). During the last years the quantity of agricultural exchanges in Ukraine has decreased (there were 24 exchanges in 2015, while in 2004 there were 34 organizations of this type) [8]. But at the same time the total amount of exchanges is constantly increasing (there is 5% drop of gross exchange amount in 2015, caused by decreased territory of counting (without temporarily occupied territories), but the general quantity was increasing till 2014) (*Table 1*).

Table 1
Exchanges at the Ukrainian trading market

| Commodity exchanges | 2004 | 2006 | 2008 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015* |
|----------------------------------|------|------|------|------|------|------|------|------|-------|
| Total amount | 464 | 448 | 482 | 510 | 537 | 562 | 574 | 586 | 555 |
| Amount of agricultural exchanges | 34 | 29 | 30 | 25 | 25 | 25 | 24 | 23 | 24 |

*Without temporarily occupied territory of Crimea, Sevastopol and Antiterrorist operation carrying out zone

Source: State Statistics Service of Ukraine

In 2013-2014 the volumes of wholesaling on Ukrainian exchanges decreased 7 times because of 5 times decrease in the exchange trading [10]. This situation shows falling exchange trading because of incorrect work of agricultural exchanges, low efficiency of governmental regulatory policy and the disability of government to stimulate this sector development.

The main problem of Ukrainian agricultural industry hasn't been solved yet: the problem of impossibility of average agricultural producers (private households) to put on sale their output at acceptable prices. Just accredited enterprises have an access to commodity exchanges while they don't produce agricultural commodities in general case. Simultaneously little ventures still market their products at enormously low prices that leads to ineffective activity, villages degeneration, labor resources retraining and increase in prices on agricultural goods and decrease in its competitiveness on domestic and foreign markets on a long run [10, p. 180].

A correct solution for this situation is to develop wholesale markets of agricultural output, where each entrepreneur has an ability to sell his products at free market's prices without mediators. It will help to strengthen producers' position and to improve a quality of goods.

Today there are more than 350 wholesale agricultural markets in Ukraine, but only 4 of them meet European standards: "Stolychnyi" (Kyiv), "Shuvar" (Lviv), "Kopani" (Kherson) and live cattle market "Charivnyk" (Kyiv region) [11].

The next important constituent of agricultural industry infrastructure is financial establishment. An adequate access to short-, mid- and long term financial resources is critically purposeful for Ukrainian agro businesses [10, p. 181].

To our mind agro-credit activity depends on the qualified management workers of agricultural enterprises. It means that much attention should be paid to agricultural educational institutions that train agribusiness specialists. There are 18 higher educational institutions and more than 100 lyceums training agricultural experts in Ukraine nowadays [10, p. 181]. But these elements of educational system train broad profile specialists in economic and management spheres, when highly qualified agribusiness experts are required. These are persons who know agricultural export features and domestic mechanisms of agricultural output realization.

Beyond education weightily role in harmonization progress of agricultural production belongs to informational provision. An access to agricultural market information is complicated today: sites of Ministry of Agrarian Policy and Food of Ukraine and Ukrainian Agricultural Union don't give all the information range about the condition of Ukrainian agricultural market. It makes harder the activity of producers forcing them to make wrong decisions unsupported by true information about the real circumstance [10, p. 182].

CONCLUSIONS

The analysis that was run by authors proves that infrastructure complex considerably influences the condition of domestic agricultural market and the realization of country's export potential. There is a need to develop all the constituents of Ukrainian agriculture market considering their internal links.

Development and adjustment of storage and transport infrastructure is an integral term of successful mobilization and transportation of agricultural output. Governmental regulative policy first of all should be directed on human resources potential formation as highly qualified experts awarded in agribusiness running are the main to success in reforms carrying out.

Prominent role in the agricultural industry development is assigned to its financial, informational and trading infrastructure reforming, which determines the model of subjects' behavior on agricultural market.

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COMPARATIVE ANALYSIS OF INSTITUTIONAL FACTORS INFLUENCING THE PUBLIC GOODS PRODUCTION

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Abstract: *The purpose of this article is to elucidate the most important regularities of the institutional factors effect on accumulation and using of the budgetary resources for the public goods production in Ukraine and certain former socialistic countries. The theoretic-methodological framework of our research for the interaction of institutional factors and general budget concerning the public goods production was defined; forms of correlations between the institutional factors and revenues and expenditures of the general budget per capita was determined using the elasticity. It was revealed that the institutional factors are one of the most important internal sources for the improvement of mobilization and using of the budgetary resources for the public goods production in Ukraine and certain former-socialistic countries.*

Keywords: *public goods, production, general budget, institutional factors, democracy, elasticity*

INTRODUCTION

The changes of the model of the public goods production took place in the economic system of Ukraine and certain former socialistic countries as a consequence of reforming the mechanisms of the accumulation and allocation of the budgetary resources as well as the democratization of the public choice process and the structural adjustments of the conscious origin regulators. The important role in this process belonged to the institutional factors that facilitated the formalization of the relations between the state and the public goods consumers in the area of the public interest concordance of the forming and using of the budgetary resources for the public goods production.

The mechanisms of the public interaction by means of the political process and democratic society development have been determined by D. Black, T. Romer, H. Rosenthal; the approaches of the implementation of the public choice procedure into governmental decision-making have been formed by T. Besley, A. Downs, T. Persson, G. Tabellini; the directions of constituting of the relationships between the state and public goods consumers under democracy have been defined by J.M. Buchanan, R. Deacon, M. Olson, G. Tullock and et al. Among the modern Ukrainian economical scientists the state activity concerning the public goods production was investigated by O.V. Dluhopolskyi, V.M. Heyets, A.F. Melnyk; the institutional architectonics for the public goods production under market transformation was analyzed by S.I. Arkhieev, A.A. Hritsenko, and T.V. Merkulova et al. Though these researches have the theoretical and practical value of the comprehensive approach connected with the comparative analysis of the institutional factors impact on mobilization and using of the budgetary resources for the public goods production in Ukraine and certain former socialistic countries needs more detailed consideration.

MATERIALS AND METHODS

The backgrounds of finding out the peculiarity of the impact of the institutional factors on the public goods production is the conception of the politics as an exchange in accordance with which the government will rationalize its economic action through the political process and corresponding procedures of the governmental decision-making under democracy. The reliability and scientific validity of the research is based on the induction and deduction, historical, synthesis and comparative analysis methods.

RESULTS

Forming and using of the budgetary resources for the public goods production depends on the political preferences of the electorate which gives the evaluation of the available system of the fiscal exchange, of the quality of the public goods provision, transparency and the democratic character of the governmental decision-making and so on. So for the public goods production it is important to construct such an institutional framework that will provide not only the direct interaction between the state and consumers, but also the reverse one. At the theoretical level such interaction is related to the research of the "homo politicus" behavior, political structure of democracy [9, pp. 138-139, 143-145] and the mechanism of the concordance of the collective decision-making described for the single-peaked and no restriction preferences [5, pp. 26-34]. In this context the debatable issue for the public goods production under democracy is the question of organizing the interaction of the government and public goods consumers with the recognition of the previous conditions of the institutional factors.

It is related to the fact that while forming the general rules of the activity arrangement for the public goods production the electorate determines the real proportions of consumption of the public and private goods only in a mediated way. Therefore the scientists have discussions concerning the adequately formed structure of the political institutions [7, pp. 259-260; 17, pp. 161-164], of the mutual dependence of the constitutional variables, the principles of the representativeness of the authorized agents and the extent of the representation [6, p. 122, 147, 223; 8, pp. 197-210; 11, pp. 140-161, 323]. As a result, the public goods production is not always related to the individual estimations of the public goods consumers due to the dualism of the social relationships in the sphere of their provision.

It means that each individual bears certain costs or risks when he is eager to help in establishing the peaceful order or to provide other public goods that for different types of the government are related to the extract of the revenue-maximizing tax rate [3, pp. 442, 635-636; 15, pp. 567-570]. In this context, there appears a collision due to the necessity of fulfillment of the functional obligations by the state concerning the public goods provision and obtaining the individual benefits for those who participate in the political actions actively. On this basis not only institutionalization of the rent-seeking behavior takes place but also the conditions for the "capture" of the state as a result of the shattering of the most various corruption models are formed.

Thereby, the institutional factors are able somewhat to deform the system of the public goods production by means of mobilization of the additional budgetary resources to satisfy the individualized needs of the representatives of the political machine. Moreover, it can lead to the formation of the alternative means of the public goods provision which is not only the indicator of the negative evaluation of the quality of the state function and its weakness as well [4, p. 2; 12, p. 150]. In conjunction, it is necessary to take into consideration the character of the political responsibility in regulating the distribution and redistribution proportions of the GDP to the public goods production because there exists a different level of the government revenues and expenditures under the various electoral systems [16].

The theoretic-methodological analysis of the existing conceptions allows assuming that for the public goods production it is important taking into consideration the influence of such institutional factors as an electoral process, the state of the civil society, an independent media, national democratic governance, a judicial framework and independence, corruption and the level of democracy development. The terms of participation of the average individual in the processes of the public goods production is proper to determine due to the revenues and expenditures of the general budget per capita. Because, in accordance with the formed theoretic-methodological principles, they contain the direct budgetary revenues and expenditures for the public goods production, some lost benefits due to the compromises in the governmental decision-making and certain "struggle" for the accumulation and allocation of the budgetary resources.

The measure of the activity sensitivity of the institutional factors to the most important parameters of the public goods production can be properly estimated by using the elasticity of the general budgetary revenues (expenditures) per capita by the types of these factors. In 2001-2013 the dynamics of the elasticity coefficients had in Ukraine the "lacerated" character, or going up to 1,0 or exceeding it (*Table 1*). In the overwhelming majority of cases the reaction of the revenues of the general budget per capita to the changes by each institutional factor is highly elastic. On the side of filling of the revenue part of the general budget where the most important source is the tax proceeds, on the other equal conditions it specifies the degree of the willingness of the taxpayers to take part in the fiscal exchange, forming individual expectations towards changing of the approaches to the resources allocation for the private and public goods production, underlying reason of which is the quality of democratization of the relationships between the state and public goods consumers.

Table 1

The elasticity of the general budgetary revenues per capita by the types of the institutional factors in Ukraine and certain former socialistic countries in 2001-2013

| Attribute | Country | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------------------------------|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Electoral Process | Belarus | 1.817 | 1.513 | 1.424 | 1.819 | 1.357 | 1.252 | 1.256 | 1.371 | 0.993 | 0.778 | 1.696 | 1.845 | 1.197 |
| | Kazakhstan | 1.199 | 1.095 | 0.954 | 1.232 | 2.065 | 1.102 | 1.203 | 1.327 | 0.856 | 1.209 | 1.232 | 1.066 | 1.098 |
| | Poland | 1.158 | 1.007 | 0.747 | 1.032 | 1.085 | 1.139 | 1.002 | 1.145 | 0.803 | 1.305 | 1.247 | 1.232 | : |
| | Russian Federation | 1.210 | 1.243 | 1.122 | 1.139 | 1.456 | 1.193 | 1.212 | 1.154 | 0.850 | 1.171 | 1.299 | 1.121 | 1.041 |
| | Ukraine | 0.988 | 1.012 | 1.378 | 1.153 | 1.793 | 1.387 | 1.395 | 1.361 | 0.789 | 1.157 | 1.271 | 1.045 | 0.934 |
| Civil Society | Belarus | 1.677 | 1.574 | 1.369 | 1.751 | 1.407 | 1.252 | 1.305 | 1.371 | 0.996 | 0.810 | 1.759 | 1.771 | 1.151 |
| | Kazakhstan | 1.248 | 0.995 | 0.992 | 1.232 | 2.065 | 1.054 | 1.203 | 1.441 | 0.856 | 1.157 | 1.232 | 1.022 | 1.054 |
| | Poland | 1.158 | 1.007 | 0.897 | 1.032 | 1.266 | 1.139 | 0.954 | 1.374 | 0.670 | 1.142 | 1.069 | 1.027 | : |
| | Russian Federation | 1.205 | 1.316 | 1.115 | 1.245 | 1.504 | 1.181 | 1.200 | 1.144 | 0.813 | 1.171 | 1.358 | 1.175 | 0.993 |
| | Ukraine | 1.204 | 1.138 | 1.312 | 1.143 | 1.846 | 1.405 | 1.288 | 1.361 | 0.920 | 1.157 | 1.271 | 1.120 | 0.997 |
| Independent Media | Belarus | 1.817 | 1.513 | 1.424 | 1.819 | 1.407 | 1.252 | 1.256 | 1.371 | 0.958 | 0.808 | 1.694 | 1.845 | 1.197 |
| | Kazakhstan | 1.144 | 1.095 | 0.952 | 1.184 | 2.065 | 1.061 | 1.203 | 1.378 | 0.889 | 1.165 | 1.232 | 1.066 | 1.098 |
| | Poland | 1.158 | 1.007 | 0.769 | 1.032 | 1.477 | 0.976 | 0.891 | 1.145 | 0.904 | 1.015 | 1.069 | 1.027 | : |
| | Russian Federation | 1.163 | 1.256 | 1.184 | 1.261 | 1.522 | 1.243 | 1.210 | 1.198 | 0.850 | 1.171 | 1.299 | 1.121 | 1.041 |
| | Ukraine | 1.075 | 1.087 | 1.225 | 1.225 | 1.710 | 1.636 | 1.284 | 1.458 | 0.920 | 1.157 | 1.187 | 1.050 | 0.997 |
| National Democratic Governance | Belarus | 1.817 | 1.455 | 1.424 | 1.819 | 1.355 | 1.207 | 1.256 | 1.371 | 0.993 | 0.778 | 1.759 | 1.845 | 1.197 |
| | Kazakhstan | 1.248 | 0.952 | 0.912 | 1.232 | 1.985 | 1.061 | 1.203 | 1.378 | 0.856 | 1.209 | 1.232 | 1.066 | 1.098 |
| | Poland | 1.158 | 0.881 | 0.897 | 1.032 | 1.013 | 1.035 | 0.969 | 1.063 | 0.865 | 1.142 | 1.263 | 1.129 | : |
| | Russian Federation | 1.157 | 1.253 | 1.243 | 1.256 | 1.450 | 1.191 | 1.260 | 1.150 | 0.817 | 1.171 | 1.299 | 1.121 | 1.041 |
| | Ukraine | 1.129 | 1.082 | 1.225 | 1.166 | 1.551 | 1.431 | 1.220 | 1.361 | 0.874 | 1.157 | 1.156 | 1.071 | 0.997 |
| Judicial Framework and Independence | Belarus | 1.750 | 1.513 | 1.424 | 1.819 | 1.407 | 1.252 | 1.256 | 1.371 | 0.958 | 0.778 | 1.759 | 1.779 | 1.197 |
| | Kazakhstan | 1.194 | 1.049 | 0.952 | 1.232 | 2.065 | 1.102 | 1.203 | 1.378 | 0.892 | 1.161 | 1.232 | 1.025 | 1.098 |
| | Poland | 1.158 | 1.007 | 0.897 | 1.032 | 0.949 | 1.012 | 1.145 | 1.031 | 0.893 | 1.028 | 1.069 | 1.027 | : |
| | Russian Federation | 1.214 | 1.246 | 1.250 | 1.249 | 1.437 | 1.243 | 1.260 | 1.198 | 0.811 | 1.171 | 1.243 | 1.075 | 1.041 |
| | Ukraine | 1.129 | 1.079 | 1.293 | 1.160 | 1.651 | 1.288 | 1.216 | 1.290 | 0.874 | 1.157 | 1.156 | 1.027 | 0.997 |
| Corruption | Belarus | 1.817 | 1.513 | 1.359 | 1.740 | 1.349 | 1.202 | 1.256 | 1.371 | 0.998 | 0.778 | 1.759 | 1.771 | 1.197 |
| | Kazakhstan | 1.199 | 1.095 | 0.992 | 1.184 | 2.065 | 1.102 | 1.203 | 1.378 | 0.856 | 1.209 | 1.232 | 1.066 | 1.098 |
| | Poland | 1.158 | 1.007 | 0.807 | 1.032 | 1.055 | 1.051 | 1.241 | 1.145 | 0.877 | 0.966 | 1.069 | 1.027 | : |
| | Russian Federation | 1.285 | 1.371 | 1.236 | 1.318 | 1.588 | 1.191 | 1.260 | 1.198 | 0.816 | 1.126 | 1.299 | 1.121 | 1.041 |
| | Ukraine | 1.129 | 1.138 | 1.278 | 1.225 | 1.477 | 1.288 | 1.288 | 1.361 | 0.920 | 1.157 | 1.271 | 1.073 | 0.997 |
| Democracy Index | Belarus | 1.780 | 1.513 | 1.406 | 1.796 | 1.386 | 1.239 | 1.262 | 1.364 | 0.978 | 0.786 | 1.740 | 1.815 | 1.192 |
| | Kazakhstan | 1.203 | 1.049 | 0.958 | 1.216 | 2.052 | 1.084 | 1.203 | 1.378 | 0.866 | 1.189 | 1.232 | 1.049 | 1.093 |
| | Poland | 1.158 | 0.976 | 0.835 | 1.032 | 1.107 | 1.064 | 1.039 | 1.131 | 0.853 | 1.107 | 1.159 | 1.027 | 1.158 |
| | Russian Federation | 1.206 | 1.284 | 1.194 | 1.246 | 1.486 | 1.213 | 1.236 | 1.178 | 0.829 | 1.165 | 1.291 | 1.121 | 1.036 |
| | Ukraine | 1.180 | 1.090 | 1.280 | 1.182 | 1.602 | 1.377 | 1.276 | 1.361 | 0.891 | 1.157 | 1.211 | 1.071 | 0.988 |

Source: calculated by author according to [1, 2, 10, 13, 14, 18]

In Ukraine, just as in Belarus, Kazakhstan and Russian Federation, the variation of the values of the elasticity of the general budgetary revenues per capita by the types of the institutional factors had the considerable degree of fluctuation in these years (*Table 1*). In that

connection the higher values of the proper coefficients of the elasticity initially were attained in Ukraine and these countries in 2005. Such tendency was caused by the commonness of the economic, social, political and historical framework of the development of Ukraine, Belarus, Kazakhstan and Russian Federation. In 2002-2013 in Poland the value of the coefficients of the elasticity of the general budgetary revenues per capita by the types of the institutional factors didn't demonstrate such high amplitude of the fluctuations remaining mainly in about 1.0. In this case it testifies to the comparative stability of the relationships of the state and public goods consumers, self-weighted and sequence of forming of the approaches of filling of the revenue part of the general budget and presence of the positive effect of democratization.

Concerning the dynamics of the elasticity of the general budgetary expenditures per capita by the types of the institutional factors, the situation in Ukraine and certain former socialistic countries in 2001-2013 is similar to the one concerning the general budgetary revenues (*Table 2*). However, on the side of the general budgetary expenditures per capita such high elasticity is related to the peculiarities of the allocation of the scarce budgetary resources, transparency of the relations and the interest to provide the public harmony in Ukraine. For Ukraine, just as for Belarus, Kazakhstan and Russian Federation, the dynamics of these indicators is rather similar, especially in the fluctuations variations. At the same time, for Poland these indicators were near 1.0. In other words, relative stability of the corresponding types of the institutional factors stipulates the stability of the implementation of the budgetary resources allocations required for the public goods production.

Table 2
The elasticity of the general budgetary expenditures per capita by the types of the institutional factors in Ukraine and certain former socialistic countries in 2001-2013

| Attribute | Country | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------------------------------|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Electoral Process | Belarus | 1.872 | 1.451 | 1.484 | 1.734 | 1.377 | 1.198 | 1.283 | 1.344 | 1.038 | 0.833 | 1.448 | 1.954 | 1.209 |
| | Kazakhstan | 1.208 | 1.097 | 0.939 | 1.284 | 1.883 | 1.093 | 1.213 | 1.204 | 1.088 | 1.173 | 1.200 | 1.139 | 1.093 |
| | Poland | : | : | 0.770 | 1.017 | 1.046 | 1.125 | 0.962 | 1.196 | 0.883 | 1.315 | 1.165 | 1.201 | : |
| | Russian Federation | 1.167 | 1.340 | 1.105 | 1.022 | 1.346 | 1.183 | 1.308 | 1.185 | 1.147 | 1.090 | 1.133 | 1.157 | 1.089 |
| | Ukraine | 1.019 | 0.977 | 1.421 | 1.283 | 1.691 | 1.340 | 1.405 | 1.375 | 0.855 | 1.234 | 1.107 | 1.105 | 0.966 |
| Civil Society | Belarus | 1.728 | 1.509 | 1.427 | 1.670 | 1.428 | 1.198 | 1.333 | 1.344 | 1.041 | 0.867 | 1.502 | 1.876 | 1.163 |
| | Kazakhstan | 1.259 | 0.997 | 0.976 | 1.284 | 1.883 | 1.045 | 1.213 | 1.307 | 1.088 | 1.122 | 1.200 | 1.092 | 1.049 |
| | Poland | : | : | 0.924 | 1.017 | 1.220 | 1.125 | 0.916 | 1.435 | 0.736 | 1.151 | 0.998 | 1.001 | : |
| | Russian Federation | 1.162 | 1.419 | 1.098 | 1.118 | 1.391 | 1.171 | 1.296 | 1.175 | 1.097 | 1.090 | 1.185 | 1.212 | 1.039 |
| | Ukraine | 1.242 | 1.100 | 1.353 | 1.272 | 1.740 | 1.358 | 1.297 | 1.375 | 0.998 | 1.234 | 1.107 | 1.183 | 1.030 |
| Independent Media | Belarus | 1.872 | 1.451 | 1.484 | 1.734 | 1.428 | 1.198 | 1.283 | 1.344 | 1.001 | 0.865 | 1.446 | 1.954 | 1.209 |
| | Kazakhstan | 1.154 | 1.097 | 0.937 | 1.234 | 1.883 | 1.052 | 1.213 | 1.250 | 1.130 | 1.130 | 1.200 | 1.139 | 1.093 |
| | Poland | : | : | 0.792 | 1.017 | 1.424 | 0.964 | 0.855 | 1.196 | 0.993 | 1.023 | 0.998 | 1.001 | : |
| | Russian Federation | 1.122 | 1.355 | 1.167 | 1.132 | 1.407 | 1.233 | 1.306 | 1.231 | 1.147 | 1.090 | 1.133 | 1.157 | 1.089 |
| | Ukraine | 1.109 | 1.050 | 1.263 | 1.363 | 1.612 | 1.581 | 1.294 | 1.473 | 0.998 | 1.234 | 1.033 | 1.109 | 1.030 |
| National Democratic Governance | Belarus | 1.872 | 1.396 | 1.484 | 1.734 | 1.375 | 1.155 | 1.283 | 1.344 | 1.038 | 0.833 | 1.502 | 1.954 | 1.209 |
| | Kazakhstan | 1.259 | 0.954 | 0.898 | 1.284 | 1.810 | 1.052 | 1.213 | 1.250 | 1.088 | 1.173 | 1.200 | 1.139 | 1.093 |
| | Poland | : | : | 0.924 | 1.017 | 0.976 | 1.023 | 0.930 | 1.111 | 0.951 | 1.151 | 1.180 | 1.101 | : |
| | Russian Federation | 1.116 | 1.352 | 1.225 | 1.127 | 1.340 | 1.181 | 1.361 | 1.181 | 1.103 | 1.090 | 1.133 | 1.157 | 1.089 |
| | Ukraine | 1.164 | 1.045 | 1.263 | 1.298 | 1.462 | 1.383 | 1.229 | 1.375 | 0.948 | 1.234 | 1.006 | 1.132 | 1.030 |
| Judicial Framework and Independence | Belarus | 1.803 | 1.451 | 1.484 | 1.734 | 1.428 | 1.198 | 1.283 | 1.344 | 1.001 | 0.833 | 1.502 | 1.884 | 1.209 |
| | Kazakhstan | 1.204 | 1.051 | 0.937 | 1.284 | 1.883 | 1.093 | 1.213 | 1.250 | 1.133 | 1.126 | 1.200 | 1.095 | 1.093 |
| | Poland | : | : | 0.924 | 1.017 | 0.915 | 1.000 | 1.100 | 1.076 | 0.981 | 1.036 | 0.998 | 1.001 | : |
| | Russian Federation | 1.171 | 1.345 | 1.231 | 1.121 | 1.328 | 1.233 | 1.361 | 1.231 | 1.095 | 1.090 | 1.084 | 1.109 | 1.089 |
| | Ukraine | 1.164 | 1.042 | 1.333 | 1.291 | 1.556 | 1.245 | 1.225 | 1.302 | 0.948 | 1.234 | 1.006 | 1.085 | 1.030 |
| Corruption | Belarus | 1.872 | 1.451 | 1.417 | 1.659 | 1.369 | 1.150 | 1.283 | 1.344 | 1.042 | 0.833 | 1.502 | 1.876 | 1.209 |
| | Kazakhstan | 1.208 | 1.097 | 0.976 | 1.234 | 1.883 | 1.093 | 1.213 | 1.250 | 1.088 | 1.173 | 1.200 | 1.139 | 1.093 |
| | Poland | : | : | 0.831 | 1.017 | 1.017 | 1.038 | 1.191 | 1.196 | 0.963 | 0.974 | 0.998 | 1.001 | : |
| | Russian Federation | 1.240 | 1.478 | 1.217 | 1.183 | 1.468 | 1.181 | 1.361 | 1.231 | 1.101 | 1.049 | 1.133 | 1.157 | 1.089 |
| | Ukraine | 1.164 | 1.100 | 1.318 | 1.363 | 1.392 | 1.245 | 1.297 | 1.375 | 0.998 | 1.234 | 1.107 | 1.134 | 1.030 |
| Democracy Index | Belarus | 1.834 | 1.451 | 1.466 | 1.713 | 1.407 | 1.186 | 1.289 | 1.338 | 1.022 | 0.841 | 1.486 | 1.922 | 1.204 |
| | Kazakhstan | 1.212 | 1.051 | 0.943 | 1.267 | 1.871 | 1.076 | 1.213 | 1.250 | 1.100 | 1.153 | 1.200 | 1.120 | 1.088 |
| | Poland | : | : | 0.860 | 1.017 | 1.068 | 1.051 | 0.997 | 1.181 | 0.938 | 1.116 | 1.082 | 1.001 | : |
| | Russian Federation | 1.164 | 1.385 | 1.176 | 1.118 | 1.374 | 1.203 | 1.335 | 1.210 | 1.119 | 1.085 | 1.126 | 1.157 | 1.084 |
| | Ukraine | 1.216 | 1.053 | 1.319 | 1.315 | 1.510 | 1.330 | 1.285 | 1.375 | 0.966 | 1.234 | 1.054 | 1.132 | 1.022 |

Source: calculated by author according to [1, 2, 10, 13, 14, 18].

On the whole, the comparative analysis showed that the impact of the institutional factors on the revenues and expenditures of the general budget per capita was significant. The search for additional facilities for financial provision of the public goods production foresees

the improvement of the quality of the present-day institutions in Ukraine. One of the principle positions in this process belongs to the expanding of democratic transformations in Ukraine that should not bear the formal and the declarative character which is confirmed by the Polish experience.

CONCLUSIONS

Thus, in Ukraine and certain former socialistic countries there are evident the internal sources of mobilization and using of the budgetary resources for the public goods production, among which the institutional factors are at the top. Therefore, the achievement of the positive effect from the mobilization and using of the budgetary resources for the public goods production depends on the intensity of the future reformations of each one of the analyzed institutional factors. Taking into account that in Ukraine the negative tendencies in the institutional factors evolution had the system character, the improvement of the accumulation and allocation of the budgetary resources for the public food production is possibly to be expected within the middle- and long-term periods on conditions that there exists a precise reformation plan of the institutional factors and of a course on democratization. Judging by the research results, it will create the solid perspective for the increase of the confidence of the public goods consumers towards the state as the exponent of their interests, it will result in reduce of the non-productive budgetary expenditures concerning the rent-seeking behaviour and corruption, it will intensify the control and responsibility over the accumulation and allocation of the budgetary facilities.

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FORECAST LEVEL OF ECONOMIC SECURITY AND ITS COMPONENTS FOR THE SUGAR INDUSTRY IN UKRAINE

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Abstract: Scientific results of work on the creation and forming of the neural network to prognosticate the level of economic security of the Ukrainian sugar industry are presented in this article. Comparison of prognosticated data for the level of economic security with the help of a linear algorithm and the method of artificial neural networks is conducted by the author. Author proved that the use of forecasting methods based on the artificial neural networks construction, is actual for the sectoral economic security forecasting, as it allows reducing forecast error to a minimum. The use of artificial neural networks makes forecasting system more flexible and allows adding it with fuzzy inputs.

Keywords: forecasting, economic security, sugar industry, artificial neural network, multilayer perceptron

INTRODUCTION

The transformation of the Ukrainian economy in the context of European integration has actualized the problem of national economy's functioning and their viability under the new conditions. Economic security of the economy is an integral characteristic. It is achieved with such development level and with such functioning of its industries, which are fully protecting the industrial interests and creating conditions for its innovative development. In turn, sectoral economic security is the subsystem of a higher level, i.e. economic security of the national economy. Estimation and forecasting of economic security at the sectoral level are insufficiently investigated. Post-Soviet School of Economics deals with the problems of economic security of the sugar industry, as traditional industries of the Ukrainian, Russian, Belarusian and other post-Soviet economies in terms of open markets are losing competitive advantages and are in decline (or bankrupt). This problem was studied in scientific papers of L. Goroshkova [1], G. Vechkanov, S. Basalai and S. Volkov [2], V. Kirilenko [3] et al. However, their approaches are not universal; they require a further improvement in the context of individual sectors of the economy.

MATERIALS AND METHODS

The forecast level of sectoral economic security is mainly carried out by the method of auto-regression, i.e. using a linear algorithm based on the prediction of the future by the nearest past. This method allows obtaining a very reliable forecast results in a stable situation. However, such approach in the process of sectoral transformations or under unstable external parameters doesn't allow predicting the situation correct way. In recent years, artificial neural networks attract the attention of specialists dealing with the forecast of time series. The attractiveness of the artificial neural networks usage to prognosticate the level of economic security is explained by the possibility of using a large number of different input parameters. At the same time, the influencing function of the input parameter to the output result can be non-linear. An important property of artificial neural networks is the ability to change behavior and knowledge according to the changes in the external environment. To prognosticate the integral indicator of sectoral economic security, it is preferable to use a configuration of an artificial neural network of direct distribution (perceptrons) with training on Backpropagation method.

RESULTS

Forecast level of economic security Ukrainian sugar industry is conducted by the math apparatus of artificial neural networks and by using specialized software Statistica 7.0. The used artificial neural network is a three-layer network of interconnected neurons (*Figure 1*);

each of them is described by equation (1), where n is the number of neuron's inputs; $x_1 \dots x_n$ are the values of the input variables; w_i are weight coefficients that determine the influence of the certain value to the neuron; e is a constant; f is the function of the neuron's activation; y is the input value of the neuron.

$$y = f\left(\sum_{i=1}^n w_i x_i + e\right) \quad (1)$$

The real parameters of the industry's functioning can be both dimensional and dimensionless. Besides, ranges of their values can differ by several orders of magnitude. In this regard, previously input data are normalized in such way that they were in the range (0; 1). The normalized value of indicator characterizes the approximation degree to the optimal value. Normalized input values for building a neural network of Ukrainian sugar industry functioning are given in *Table 1*.

Table 1
**Normalized input values for the construction of a neural network
of Ukrainian sugar industry functioning**

| Indicator | Year | | | | | |
|--|------|------|------|------|------|------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| The average number of employed workers in the industry at one enterprise | 0.80 | 0.80 | 0.86 | 0.90 | 0.83 | 0.79 |
| Labor productivity in sugar factories | 0.33 | 0.42 | 0.92 | 0.85 | 0.68 | 0.36 |
| The effectiveness of the payroll | 0.37 | 0.42 | 0.73 | 0.66 | 0.46 | 0.48 |
| Material consumption of the sugar production | 1.00 | 0.52 | 0.50 | 0.64 | 0.63 | 0.83 |
| The energy intensity of the sugar production | 0.40 | 0.41 | 0.41 | 0.42 | 0.42 | 0.41 |
| Asset-intensiveness of the sugar industry | 0.37 | 0.38 | 0.34 | 0.43 | 0.40 | 0.25 |
| Depreciation of fixed assets in the sugar industry | 0.35 | 0.35 | 0.35 | 0.36 | 0.36 | 0.38 |
| The technological quality of the sugar beet | 0.76 | 0.80 | 0.73 | 0.79 | 0.77 | 0.78 |
| The cost of borrowings in the domestic market | 0.40 | 0.27 | 0.29 | 0.37 | 0.33 | 0.28 |
| The volume of the tracing sugar stocks | 0.19 | 0.55 | 0.00 | 0.45 | 0.28 | 0.43 |
| The index of producers prices for sugar | 1.00 | 0.59 | 0.79 | 1.55 | 1.13 | 0.99 |
| The share of the sugar production by sugar holdings | 0.76 | 0.86 | 0.89 | 0.95 | 1.00 | 1.00 |
| The duration of the production cycle | 0.68 | 0.60 | 0.71 | 0.83 | 0.90 | 0.72 |
| Availability of raw materials | 0.69 | 0.57 | 0.80 | 0.75 | 0.67 | 0.71 |
| The index of sugar distribution | 0.64 | 0.96 | 0.76 | 0.77 | 0.83 | 0.90 |
| The share of substandard products | 0.01 | 0.01 | 0.01 | 0.01 | 0.03 | 0.05 |
| The index of physical availability of sugar to the population | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| The index of economic availability of sugar to the population | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| The share of employed in the sugar industry | 0.30 | 0.27 | 0.23 | 0.40 | 0.37 | 0.20 |
| The share of the national sugar market in the international market | 0.43 | 0.34 | 0.39 | 0.56 | 0.41 | 0.40 |
| The share of the sugar industry production in total export | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| The trade balance in the sugar market in Ukraine | 0.00 | 0.00 | 0.00 | 0.00 | 1.00 | 1.00 |
| The share of sugar exports per person | 1.00 | 0.00 | 0.00 | 0.00 | 1.00 | 1.00 |
| The share of the shadow component at the sugar market | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| The profitability of sugar production | 0.00 | 0.08 | 0.10 | 0.00 | 0.00 | 0.00 |
| The competitiveness index of sugar production | 1.00 | 0.60 | 0.62 | 0.52 | 0.58 | 0.62 |
| The share of produced sugar in the country | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| The growth rate of the national sugar market | 0.00 | 0.00 | 0.35 | 0.90 | 0.00 | 1.00 |
| The share of innovative products in the sugar market | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| The share of innovations in production | 0.17 | 0.33 | 0.54 | 0.43 | 0.24 | 0.42 |
| The share of sugar enterprises with ISO 9001 | 0.17 | 0.19 | 0.22 | 0.22 | 0.26 | 0.33 |
| The share of investments in the sugar industry | 0.26 | 0.19 | 0.28 | 0.26 | 0.26 | 0.34 |
| The share of professionals of all specialties for the sugar industry in the total number of specialists in Ukraine | 0.40 | 0.38 | 0.36 | 0.37 | 0.36 | 0.30 |

Source: calculated by author

The structure of the artificial neural network to model the functioning of the Ukrainian sugar industry with a limited set of parameters is shown in *Figure 1*. A neural network consists of three layers of neurons: input (33 neurons), which serves the input values $x_1 \dots x_{33}$ (parameters in the *Table 1*); inner (10 neurons) and outer (33 neurons), which gives the initial

values $y_1 \dots y_{33}$.

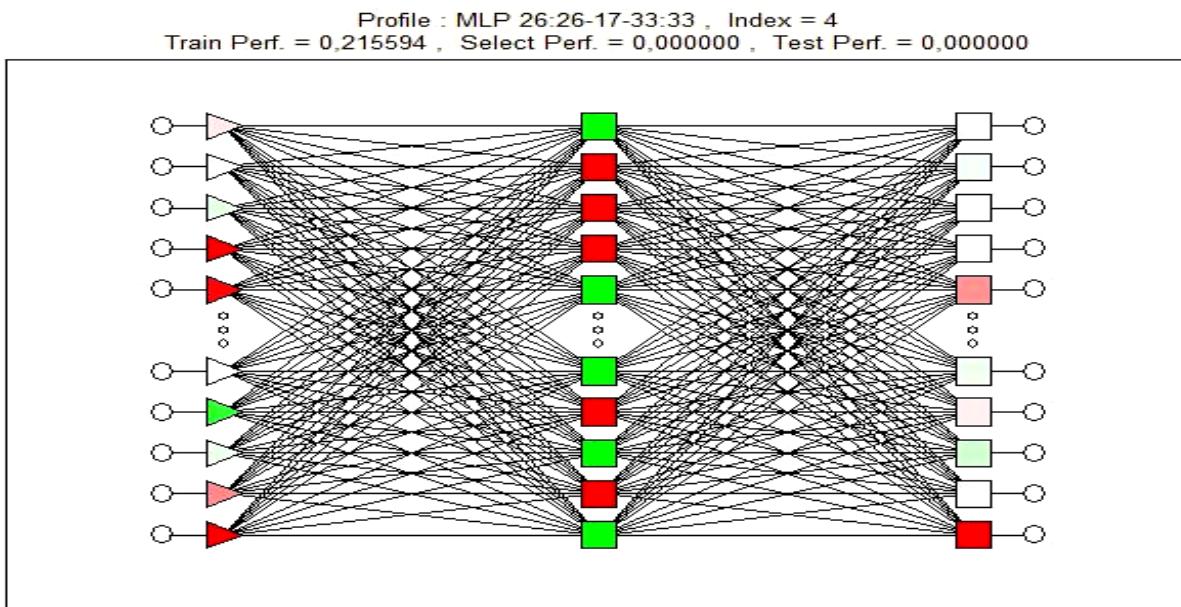


Figure 1: A neural network to forecast the economic security level of the sugar industry

Source: created by author

Table 2
Forecasting indexes of sugar industry's functioning in Ukraine, 2015-2017

| Indicator | Year | | |
|--|------|------|------|
| | 2015 | 2016 | 2017 |
| The average number of employed workers in the industry at one enterprise | 0.90 | 0.83 | 0.85 |
| Labor productivity in sugar factories | 0.85 | 0.68 | 0.70 |
| The effectiveness of the payroll | 0.66 | 0.46 | 0.45 |
| Material consumption of the sugar production | 0.64 | 0.63 | 0.62 |
| The energy intensity of the sugar production | 0.43 | 0.40 | 0.61 |
| Asset-intensiveness of the sugar industry | 0.37 | 0.36 | 0.36 |
| Depreciation of fixed assets in the sugar industry | 0.73 | 0.79 | 0.77 |
| The technological quality of the sugar beet | 0.76 | 0.80 | 0.15 |
| The cost of borrowings in the domestic market | 0.37 | 0.33 | 0.29 |
| The volume of the tracing sugar stocks | 0.45 | 0.28 | 0.10 |
| The index of producers prices for sugar | 1.00 | 1.00 | 1.00 |
| The share of the sugar production by sugar holdings | 0.95 | 1.00 | 1.00 |
| The duration of the production cycle | 0.83 | 0.90 | 0.90 |
| Availability of raw materials | 0.75 | 0.67 | 0.85 |
| The index of sugar distribution | 0.79 | 0.76 | 0.83 |
| The share of substandard products | 0.01 | 0.01 | 0.01 |
| The index of physical availability of sugar to the population | 1.00 | 1.00 | 1.00 |
| The index of economic availability of sugar to the population | 1.00 | 1.00 | 1.00 |
| The share of employed in the sugar industry | 0.31 | 0.35 | 0.37 |
| The share of the national sugar market in the international market | 0.41 | 0.27 | 0.24 |
| The share of the sugar industry production in total export | 0.32 | 0.47 | 0.45 |
| The trade balance in the sugar market in Ukraine | 0.32 | 0.47 | 0.45 |
| The share of sugar exports per person | 0.57 | 0.09 | 0.84 |
| The share of the shadow component at the sugar market | 0.30 | 0.10 | 0.05 |
| The profitability of sugar production | 0.28 | 0.05 | 0.37 |
| The competitiveness index of sugar production | 0.48 | 0.51 | 0.71 |
| The share of produced sugar in the country | 1.00 | 1.00 | 1.00 |
| The growth rate of the national sugar market | 0.00 | 0.00 | 0.35 |
| The share of innovative products in the sugar market | 0.27 | 0.29 | 0.35 |
| The share of innovations in production | 0.42 | 0.44 | 0.75 |
| The share of sugar enterprises with ISO 9001 | 0.57 | 0.69 | 1.00 |
| The share of investments in the sugar industry | 0.14 | 0.35 | 0.56 |
| The share of professionals of all specialties for the sugar industry in the total number of specialists in Ukraine | 0.29 | 0.49 | 0.68 |

Source: calculated by author

Thus, prognosticated values of the abovementioned indicators of the sugar industry in 2015-2017 were obtained through the use of artificial neural networks (*Table 2*). They will be used in the scenarios modeling for the formation of a strategy for the economic security of sugar industry. The findings prove that the tendency of indicators' fluctuations will persist for the next few years. E.g. it is correct for the increases of indicators which form innovative security of sugar industry.

The use of artificial neural networks in event-modeling in the formation of the strategy of sectoral economic security allows to prognosticate major indicators of industry's functioning for several periods forward and analyze, how a change in one of them will influence the change of other parameters (*Figure 2*).

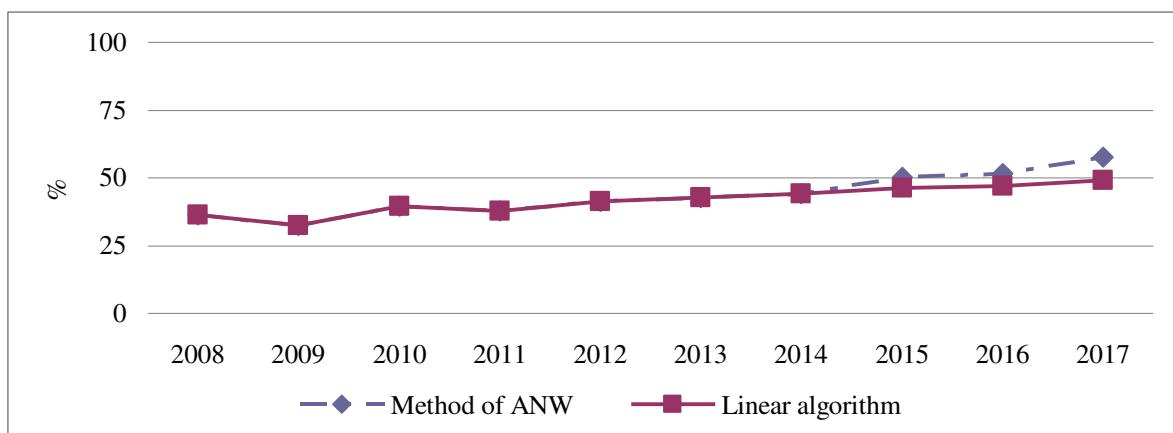


Figure 2: Forecasting for the economic security level of sugar industry, 2015-2017

Source: calculated by author

CONCLUSION

The use of forecasting methods based on the artificial neural networks construction, is appropriate for the sectoral economic security forecasting, as it allows reducing forecast error to a minimum. The use of artificial neural networks makes forecasting system more flexible and allows adding it with fuzzy inputs.

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SOME ASPECTS OF THE STRATEGIC MANAGEMENT OF CORPORATE INNOVATIONS IN INDUSTRY

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Abstract: Features of market economy, variability of external and internal environment is determined for each company need, not only to make decisions but also fully accountable for their results. In the process of industrial activities it is advisable to take into account factors of effective development so that it is possible to adequately and timely respond to changes in the external or internal environment. To effectively reach industrial enterprise development, it is necessary to improve the corporate management of the company. The essence of corporate governance development is to reach the target level of development results at a particular time. The new paradigm is based on the corporate governance system and situational approach; the enterprise as "open system". The main prerequisites for its success are not only inside but also outside of it. The embodiment of the new approach was a strategic corporate management, which involves planning capacity additions enterprise planning its strategy based on the future state of the environment. The management paradigm is subjective, unique nature, defined by socio-economic system. It changes are caused by the development of social production and methods of its administration. Nature management paradigm causes the substantial informal manifestations and ideological factors in its structure. Informal factors can have both a historical nature, i.e. be actually existing, but still not get the scientific, ideological or any other generalization and subjective nature as actually applied management concepts and methods, but not declared to avoid conflict with the formal identification of officially declared goals and concepts of public policy and the objectives of social production. The last case does not preclude the situation of informal institutions support of the actual management paradigm in official state structures and production management as reduce the degree of influence of problems in achieving formal and informal objectives of the state, enterprises and individual managers. Thus, the use of management tools adequate to modern conditions of social and economic system in which social production functions, ensure the development of corporate governance in industrial enterprises in order to achieve its effective development.

Keywords: business, corporate governance, innovation, development, strategy

INTRODUCTION

Attribute of corporate governance in social production is known to focus on driving and management of production processes. In this regard it is important to develop the concept of corporate governance effective development of industrial enterprises, defined as decisions regarding the use of resources and methodological tools, providing a selection of the most effective alternative when making management decisions. It follows a central condition for effective corporate governance, the adequacy of the management tools used terms of social economic system, which operates social production.

However, factors management solutions and tools, being linked to the socio-economic system, developing the laws of evolution of its institutions, which leads to a certain level of mutual inadequacy, which is needed to overcome external meaningful impact. Identify this inadequacy and to determine the impact of removal is possible only within the new paradigm of corporate governance, and therefore the problem of identification management paradigm inherent in a particular socio-economic system functioning social production.

MATERIALS AND METHODS

An important contribution to the study of corporate governance was made by foreign and domestic scientists. However, to date research directions issues of corporate governance remains a subject of debate. Based on the above, we can formulate the study, which is to develop the areas of corporate governance in the industry. In the process of writing, we can define the

following methods: analysis and synthesis, system-structural analysis, abstract and logical, economic and mathematical modeling monographic.

RESULTS

Ensuring the effectiveness of the management process is largely determined by rational division of powers in decision making between different levels of government, i.e. the ratio of centralization and decentralization in governance. The optimum ratio of centralization and decentralization ensures efficiency and realistic management decisions. Decisions must be taken quickly and near the source of the information necessary to fully comprehend. Organizational structure of corporate governance should provide flexibility of production, the need for which may be due to changes in the level of demand or the actions of competitors, lower prices, falling market share of the company, unexpected, success of new products [1].

With the development of market relations in Ukraine it is becoming increasingly evident that we cannot achieve sustainable business success, while remaining within the old system management. Features of transition, special mentality and cultural features of Ukraine do not allow full use of the waste in a stable environment of the western economy methods management. Improving the competitiveness of enterprises, created out of the difficult economic conditions requires the development and application of new approaches to management, and a more adequate current economic situation in Ukraine. Management in the market means, above all, focus on the demand and market needs, constant desire to improve production efficiency, finding new opportunities for the best results or the lowest cost.

The economic situation of individual enterprise as a whole, three main factors: the level of equipment and technology; quality workforce and the widespread use of motivation to work (administration, management). The third of these factors has system-nature. As the special studies; state control affects the level of equipment and technology, and the quality of the workforce. Modern management is a distinct sphere of economic relations that has its own logic of development; it is an independent type of professional activity, aims to achieve in the course of any business enterprises operating under market conditions specifying a set of goals through the rational use of material and human resources of using the principles, functions and management [4]. During evolution within management science evolved different directions, held its merger with others close to their teachings. A landmark in the development of management was the consolidation of management theory and marketing theory that gave rise to market the concept of corporate governance. The main assumptions of the new concept are as follows: relies on man, self-fulfilling, (unlike human economic and social rights); the company is regarded as a living organism, consisting of people united by common values as "clan"; the company must be inherent constant updating that inner desire stimulates and aims at adaptation to external factors, foremost of which is the consumer. The new paradigm is based on the corporate governance system, situational approach, the enterprise as "open system". The main prerequisites for its success are not only inside but also outside of it. The success is related to how well the company fits into the environment (economic, scientific, technical, social and political) and adapts to it [3]. That is the main criterion for the efficiency of management is this: if to manage the company time to recognize the threat to their activities, whether it is resistant to changes on the market, do not miss the opportunities that arise in the environment, to be able to get the maximum benefit for themselves of these opportunities.

The embodiment of the new approach was a strategic corporate management, which involves planning capacity additions enterprise planning its strategy based on the future state of the environment. Changing the situation is changing opportunities and changing strategies and providing special measures to reduce resistance to change. The new control concept requires new attitudes of staff and a new management culture (the desire for radical change, willingness to take risks, etc.). Experts rightly believe that there is no single, ideal model of management, as each company is unique. It should seek its own model. Among the factors that determine the choice of management model, the following factors are essential: the size of the company; the nature of the product; the nature of the environment in which it operates. The development must be manageable; it is aimed on a more regulated management influence. Institutional management concept as a term denoting a set of object methods to achieve the desired results, it can be applied

to the process of enterprise development. The essence of corporate governance development is to reach the target level of development results at a particular time. Market fluctuations and closely related activities to the entity may lead to slower development and the processes of stagnation and even destruction of the organization. Management is intended to smooth out the impact of possible adverse effects of such fluctuations.

The main distinguishing feature of Ukrainian enterprises is that they operate in constantly changing economic conditions. In fact, companies facing the problem of managing under uncertainty. The company has a number of features inherent in economic production systems, such as: great difficulty due to the presence of multiple and strong material and information links between elements; continuous, dynamic and unique development; continuous influence of natural factors and society, and these impacts in large part are mainly stochastic in nature, which makes it necessary to operate and make decisions under uncertainty [6]. Therefore, the system of corporate governance must now meet the current market conditions, namely: possess high flexibility from the standpoint of production and allow responding to market demands. This is because the life cycle of products is becoming shorter, and the variety of products wider; be adequate sophisticated production technology, which requires entirely new forms of control, organization and division of labor; take account of serious competition in the market of goods (services) fundamentally change its attitude to quality that needs to be organized after-sales service and additional corporate services; consider requirements for quality customer service and time of the contracts, which were too high for traditional production systems and decision making; consider changing the structure of production costs; take into account the need to take account of the uncertainty of the environment. It is not the complete list of problems faced by enterprises. To solve them, there is a need for objective research, analysis of the existing state.

DISCUSSION AND CONCLUSION

Thus, the organization and improvement of managing effective enterprise development as a complex socio-economic system is one of the key problems of stabilization of the Ukrainian economy. Management of modern enterprises is today one of the most difficult tasks for managers of various units. Traditional economics retreats under pressure from new, which imposes new requirements for enterprises: changing relations between enterprises, changing the organizational structure of the enterprises themselves and standards of management. The new economy requires new knowledge and new people capable of this knowledge to generate and use.

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TRADE RELATIONS OF UKRAINE AND EUROPEAN UNION: EUROPEAN INTEGRATION ASPECT

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Abstract: The article discovers the main aspects of trade cooperation between Ukraine and the European Union within the context of European integration of Ukraine. Export and import of goods and services between Ukraine and the European Union is analyzed. The geographic structure of bilateral trade is represented. Major trading partners of Ukraine among the European Union Member States are described. The article highlights main trends in bilateral trade and economic relations between Ukraine and the European Union in recessionary tendencies prevailing in socio-economic and political life of Ukraine and possible methods of solution in short and long terms.

Keywords: European integration, trade, import, export, goods, service, tendency, forecast

INTRODUCTION

Foreign trade is the most common form of international economic relations. External commercial relations are an important factor for economic growth of the state. Since Ukraine gained independence in 1991, the European Union and Ukraine is dynamically developing relations with each other. Ukraine is a priority partner of the EU within the European Neighborhood Policy and the Eastern Partnership. Legal basis of EU-Ukraine relations are based on the Partnership and Cooperation Agreement [1]. Foreign trade is vital both for the economy of Ukraine and for the economies of the European Union Member States. Trade is not only the economic growth engine and job creation, but also has a daily impact on the people's lives and their activities. Trade and competition growth reduces prices, improves product quality and expands customer choice but also creates new and better jobs for both trading partners. Ukraine has proclaimed course to European integration and gradual full membership in the European Union and now directs significant efforts to improve the efficiency of trade relations with the European Union. Ukraine entering into Association Agreement with the European Union, coming the economic part of Association Agreement into force and creating a free trade zone between Ukraine and the European Union make this topic relevant both from a theoretical and practical point of view.

MATERIALS AND METHODS

State Statistics Service of Ukraine data were mainly used while writing the article. Data processing and systematization occurred with the help of using such methods as: systems analysis, statistical methods, deduction, induction, mathematical methods, which allowed making more detailed analysis of current bilateral trade between Ukraine and the European Union.

RESULTS

In 2014 the volume of turnover between Ukraine and the EU equaled 38,072 billion US dollars or 35,1% of Ukraine's total trade. Export of goods to EU member states registered for this period in the amount of 17,003 billion US dollars or 31,5% of Ukraine's total export. The volume of imports from the EU member states in 2014 was 21,069 billion US dollars or 38,7% of total Ukraine's imports. Bilateral trade balance between Ukraine and the European Union is negative and equals -4,066 billion US dollars. Compared with 2013 this index-number decreased to 6,221 billion US dollars or 60,5%. The coverage ratio of import by export during 2009-2014 years is in the range of 0,61 to 0,80 (*Table 1*).

Table 1**Foreign trade of goods of Ukraine with EU member states, billion US dollars**

| Indicator | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------|--------|--------|--------|--------|---------|--------|
| Export | 9,514 | 13,085 | 18,021 | 17,123 | 16,758 | 17,003 |
| Import | 15,438 | 19,151 | 25,805 | 26,237 | 27,046 | 21,069 |
| Balance | -5,924 | -6,066 | -7,784 | -9,113 | -10,287 | -4,066 |
| Turnover | 24,952 | 32,236 | 43,827 | 43,360 | 43,805 | 38,072 |
| Coverage ratio | 0,61 | 0,68 | 0,69 | 0,65 | 0,61 | 0,80 |

Source: table is based on data [2]

Main trade partners of Ukraine in 2014 among the European Union Member States in the trade of goods were (*Table 2*): Germany (18,26%), Poland (15,1%), Italy (10,45%), Hungary (7,81%), the Netherlands (4,91%), France (4,73%) and Spain (4,66%).

The bulk of Ukrainian export of goods to the European Union was from Poland (15,55%), Italy (14,52%), Germany (9,35%), Hungary (8,88%), Spain (6,86%) and Netherlands (6,51%). The greatest amount of goods imported to Ukraine from the European Union was from Germany (25,45%), Poland (14,57%), Italy (7,16%), Hungary (6,95%) and France (6,02%), that is represented in *Table 3*.

Table 2**Geographic structure of Ukrainian foreign trade with EU members in 2014,
in billion US dollars**

| Country | Export | Import | Balance | Turnover |
|----------------|------------|------------|------------|------------|
| Austria | 530898,8 | 606282,8 | -75384,0 | 1137182,0 |
| Belgium | 425198,3 | 553398,3 | -128200,0 | 978596,6 |
| Bulgaria | 550603,2 | 238361,9 | 312241,3 | 788965,1 |
| United Kingdom | 589211,2 | 692044,8 | -102833,6 | 1281256,0 |
| Greece | 201239,4 | 308467,0 | -107227,6 | 509706,4 |
| Denmark | 125812,4 | 234932,1 | -109119,7 | 360744,5 |
| Estonia | 82258,7 | 77312,6 | 4946,1 | 159571,3 |
| Iceland | 69479,4 | 134006,9 | -64527,5 | 203486,3 |
| Spain | 1166565,1 | 607589,8 | 558975,3 | 1774155,0 |
| Italy | 2468270,5 | 1508974,1 | 959296,4 | 3977245,0 |
| Cyprus | 283724,9 | 50298,8 | 233426,1 | 334023,7 |
| Latvia | 226165,9 | 89660,4 | 136505,5 | 315826,3 |
| Lithuania | 362123,7 | 1032187,8 | -670064,1 | 1394312,0 |
| Luxemburg | 16182,9 | 30282,8 | -14099,9 | 46465,7 |
| Malta | 1622,8 | 10925,6 | -9302,8 | 12548,4 |
| Netherlands | 1106095,9 | 763899,6 | 342196,3 | 1869996,0 |
| Germany | 1590590,3 | 5361520,6 | -3770930,0 | 6952111,0 |
| Poland | 2644656,8 | 3070819,6 | -426162,8 | 5715476,0 |
| Portugal | 310310,1 | 60469,6 | 249840,5 | 370779,7 |
| Romania | 584081,6 | 847691,0 | -263609,4 | 1431773,0 |
| Slovakia | 670152,8 | 426949,2 | 243203,6 | 1097102,0 |
| Slovenia | 15971,4 | 203566,2 | -187594,8 | 219537,6 |
| Hungary | 1509893,8 | 1463970,1 | 45923,7 | 2973864,0 |
| Finland | 62231,4 | 319229,1 | -256997,7 | 381460,5 |
| France | 532715,5 | 1269213,2 | -736497,7 | 1801929,0 |
| Croatia | 39174,3 | 47848,5 | -8674,2 | 87022,8 |
| Czech Republic | 772542,1 | 687861,5 | 84680,6 | 1460404,0 |
| Sweden | 65133,5 | 371360,8 | -306227,3 | 436494,3,0 |
| Total | 17002906,8 | 21069126,2 | -4066218 | 38072031,0 |

Source: table is based on data [1]

Table 3**Geographic structure of Ukrainian foreign trade of goods with EU states in 2014, %**

| Country | Percentage of total export with EU member states | Percentage of total import with EU member states | Percentage of total trade volume with EU member states |
|----------------|--|--|--|
| Austria | 3,12% | 2,88% | 2,99% |
| Belgium | 2,50% | 2,63% | 2,57% |
| Bulgaria | 3,24% | 1,13% | 2,07% |
| United Kingdom | 3,47% | 3,28% | 3,37% |
| Greece | 1,18% | 1,46% | 1,34% |
| Denmark | 0,74% | 1,12% | 0,95% |
| Estonia | 0,48% | 0,37% | 0,42% |
| Iceland | 0,41% | 0,64% | 0,53% |
| Spain | 6,86% | 2,88% | 4,66% |
| Italy | 14,52% | 7,16% | 10,45% |
| Cyprus | 1,67% | 0,24% | 0,88% |
| Latvia | 1,33% | 0,43% | 0,83% |
| Lithuania | 2,13% | 4,90% | 3,66% |
| Luxemburg | 0,10% | 0,14% | 0,12% |
| Malta | 0,01% | 0,05% | 0,03% |
| Netherlands | 6,51% | 3,63% | 4,91% |
| Germany | 9,35% | 25,45% | 18,26% |
| Poland | 15,55% | 14,57% | 15,01% |
| Portugal | 1,83% | 0,29% | 0,97% |
| Romania | 3,44% | 4,02% | 3,76% |
| Slovakia | 3,94% | 2,03% | 2,88% |
| Slovenia | 0,09% | 0,97% | 0,58% |
| Hungary | 8,88% | 6,95% | 7,81% |
| Finland | 0,37% | 1,52% | 1,00% |
| France | 3,13% | 6,02% | 4,73% |
| Croatia | 0,23% | 0,23% | 0,23% |
| Czech Republic | 4,54% | 3,26% | 3,84% |
| Sweden | 0,38% | 1,76% | 1,15% |
| Total | 100% | 100% | 100% |

Source: table is based on data [2]

Table 4**Main commodity groups of Ukrainian export to European Union in 2014, billion US \$**

| Name (UCGFEA trade group) | Export volume (billion US dollars) | | 2014/2013,% | Share in trade with EU, % | |
|--|------------------------------------|-------|-------------|---------------------------|------|
| | 2013 | 2014 | | 2013 | 2014 |
| Ferrous metals (72) | 4,061 | 3,891 | 95,8 | 24,5 | 22,9 |
| Cereal crops (10) | 1,719 | 1,805 | 105,0 | 10,4 | 10,6 |
| Electrical machines and equipment (85) | 1,492 | 1,649 | 110,6 | 9,0 | 9,7 |
| Ores, slag and ash (26) | 1,714 | 1,582 | 92,3 | 10,3 | 9,3 |
| Energetic materials (27) | 1,047 | 1,031 | 98,4 | 6,3 | 6,1 |
| Seeds and oleaginous fruit (12) | 1,247 | 0,919 | 73,7 | 7,5 | 5,4 |

Source: table is based on data [2]

The ratio of these goods (*Table 4*) in total Ukraine's export to EU member states for the reporting period amounted to 64,0% or 10,878 billion US dollars. At the same time, the regime of autonomous trade preferences introduced by the EU in April 2014 had no influence on the range of Ukrainian export to the EU.

Table 5**Main commodity groups of Ukrainian import to European Union in 2014, billion US \$**

| Name (UCGFEA trade group) | Import volume (billion US dollars) | | 2014/ 2013, % | Share in trade with EU, % | |
|--|---------------------------------------|-------|---------------------|------------------------------|------|
| | 2013 | 2014 | | 2013 | 2014 |
| Energy materials; oil and its refining products (27) | 3,012 | 3,791 | 125,8 | 11,3 | 18,0 |
| Boilers, machines, instruments and mechanical devices (84) | 3,351 | 2,277 | 68,0 | 12,5 | 10,8 |
| Pharmaceutical products (30) | 2,315 | 1,826 | 78,9 | 8,7 | 8,7 |
| Polymeric materials, plastics (39) | 1,777 | 1,468 | 82,6 | 6,6 | 7,0 |
| Electrical machines and equipment (85) | 1,766 | 1,403 | 79,4 | 6,6 | 6,7 |
| Land transport vehicles except railway (87) | 2,754 | 1,198 | 43,5 | 10,3 | 5,7 |

Source: table is based on data [2]

The ratio of these goods (*Table 5*) in total import volume with EU member states for the reporting period equaled 60,4% or 12,707 billion US dollars. The trade services volume between the EU and Ukraine in 2014 amounted to 7,154 billion US dollars or 40,3% of total trade services volume of Ukraine. Export services to European Union member states in 2014 were 3,998 billion US dollars or 34,5% of total services volume. Import services volume with EU member states in 2014 was 3,156 billion US dollars or 51,9% of total import services to Ukraine. Bilateral trade balance in services between Ukraine and the European Union, unlike the trade services was positive, compared with 2013 it increased to 798,3 million US dollars and equaled 842,8 million US dollars. The coverage ratio in 2014 was 1,2 (*Table 6*).

Table 6**Foreign trade services of Ukraine with EU member states, billion US \$**

| Indicator | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------|-------|-------|-------|-------|-------|-------|
| Export | 3,024 | 3,194 | 3,617 | 3,846 | 4,297 | 3,998 |
| Import | 3,049 | 3,029 | 3,403 | 3,709 | 4,252 | 3,156 |
| Balance | -24,6 | 165,4 | 213,6 | 136,9 | 44,5 | 842,8 |
| Turnover | 6,073 | 6,224 | 7,021 | 7,556 | 8,549 | 7,154 |
| Coverage ratio | 0,99 | 1,05 | 1,06 | 1,03 | 1,01 | 1,2 |

Source: table is based on data [2]

The bulk of Ukrainian services export was from Germany (16,5%), the UK (16,5%), Cyprus (11,6%), the Netherlands (7,3%), Poland (5,1%), Austria (5,1%). The main importers of services from the European Union were the United Kingdom (23,3%), Cyprus (16,6%), Germany (16,4%), Austria (5,4%), Poland (4,9%), the Netherlands (4,3%).

Table 7**Foreign trade of goods and services of Ukraine with EU member states, billion US \$**

| Indicator | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------|--------|--------|--------|--------|---------|--------|
| Export | 12,538 | 16,280 | 21,638 | 20,970 | 21,055 | 21,001 |
| Import | 18,487 | 22,180 | 29,209 | 29,947 | 31,299 | 24,225 |
| Balance | -5,948 | -5,900 | -7,570 | -8,976 | -10,243 | -3,224 |
| Turnover | 31,026 | 38,460 | 50,848 | 50,917 | 52,354 | 45,226 |
| Coverage ratio | 0,67 | 0,73 | 0,74 | 0,70 | 0,67 | 0,86 |

Source: table is based on data [2]

In 2014 the turnover between Ukraine and the European Union Member States amounted to 45,226 billion US dollars, which is 7,128 billion US dollars less than in 2013. Export volume of goods and services reached 21,001 billion US dollars, compared with 2013 (*Table 7*). Import volume has decreased by 7,074 billion US dollars from 31,229 billion US

dollars in 2013 to 24,225 billion US dollars in 2014. Trade balance in trade of goods and services between Ukraine and the European Union was negative and amounted to -3,224 billion US dollars, which is 7,019 billion US dollars less than in 2013. In 2013 it is equaled to -10,243 billion US dollars. The coverage ratio of import by export in trade of goods and services, from 2009 to 2014 was in the range of 0,67 to 0,86. In 2014 the coverage ratio of import by export was 0,86.

CONCLUSIONS

1. Export of Ukrainian goods to the European Union, despite the crisis tendencies in the economy has not changed compared with the year 2013. This is due to the unilateral abolition of import duties for Ukrainian products from the European Union and the establishment of trade effect.
2. Imports of goods from the European Union to Ukraine decreased by 32,1% compared with 2013. This is primarily caused by the devaluation of the national currency, – hryvnia. National currency is a direct factor that affects the cost of imported goods.
3. Unlike trade of goods, trade services with the EU Ukraine have a permanent balance, which is amounted to 842,8 million US dollars in 2014.
4. The total turnover of goods and services between Ukraine and the European Union up to the crisis in 2014 tended to increase; in 2013 it amounted to 52,354 billion US dollars and in 2014 this indicator decreased on 13,7% up to 45,226 billion US dollars.
5. Energy materials, oil and its refining products are equal 18% that is dominated in Ukrainian import of goods with the European Union Member States. It is due to the increase of purchases volume of natural gas. In general import of goods from the European Union is high-tech, largely diversified and high added value limit.
6. Goods with low added value and low processing level dominate in Ukrainian export to the European Union, particularly ferrous metals that equal 22,9%.
7. Despite the socio-economic and political instability in Ukraine, creating a free trade zone between Ukraine and the European Union on January, 01, 2016 should give a new rise to the development of bilateral trade and economic relations between Ukraine and the European Union, both in qualitative and quantitative terms.

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THE SOCIAL REPORTING IN STRATEGY OF STEADY DEVELOPMENT OF THE RUSSIAN BUSINESS

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Abstract: In the article it is proved, that introduction and popularization of the social reporting in activity of the Russian companies promotes their long-term steady development. On the basis of the state-of-the-art review of the domestic and foreign publications devoted to occurrence and use of the concept of the social reporting, its (her) conceptual device is specified. Standards of the social reporting and principles of their drawing up are systematized widespread (distributed) in activity of large international corporations. Advantages and lacks of introduction and use of international standards of the reporting are allocated. In this work the estimation is given to prospects of distribution of the corporate social reporting in the Russian business.

Keywords: social reporting, strategy of steady development, international standards of social reporting, principles of drawing up of non-financial reporting, social responsibility, availability, transparency, stakeholders, interest groups

INTRODUCTION

Transition of large companies to the strategy of sustainable development and observance of the principles of social responsible behavior result in the need of diversification of their standard financial statements. First of all it is about extension of the reporting including, except traditional, a number of other indicators, and in this context of the "non-financial reporting" getting the contents. This term in practice as domestic and foreign business is not widespread and standard now. Meanwhile in various publications, for example in such synonyms appear as "the corporate social reporting", "socially responsible reporting", "the social reporting", "the ecological reporting", etc. Appeal of the non-financial report is caused by opening more developed circles of questions as a contribution of the company to national economy and regions of presence, environmental protection, ethical questions of business, support of local communities, own personnel, and also charity.

The concept of the social reporting assumes creation of the instrument of establishment of productivity of investments of the company in development of society. The key total parameters of functioning of business structures reflect their activity in economic, social and ecological spheres.

At the heart of the emergence and further promote the concept of the social report is based on different theories of development corporations. Rightly point out the theory of stakeholders, the legitimacy of sustainable development, corporate finance, which finds the fact that the economy, politics, society and corporations interact closely.

MATERIALS AND METHODS

The social reporting assumes creation of analytical information for the participants interested in activity of corporation like stakeholders whose people or the organizations having influence on the company or act on its subjects, e.g. the staff of a firm, buyers, government agencies and public organizations. Stakeholders can be divided on internal (workers, shareholders, managers of the company) and external (labor unions, public organizations, suppliers, creditors, etc.). Each of them has interests and needs and the social reporting providing transparency of activity of the company can serve peculiar instruments of their coordination. In turn, growth of degree of transparency in activity of the company according to the theory of corporate finance can lead to decrease in costs of the capital [1]. In other words,

there is an integration of theories of stakeholders and corporate finance. Following the analysis of foreign academic works that recently developed the theory of stakeholders towards importance of their involvement in long-term value creation of the company that is priority of long-term cooperation, but not receiving momentary profit is emphasized. However it doesn't reduce a profit role in activity of the company. The logic of an explanation of these processes are objectively compelled to attract to long-term successful functioning and receiving steady profit of the company as much as possible in the activity of various stakeholders on whom they depend. Over the time it led to regular and periodic release of reports by the companies in which their interaction with stakeholders was reflected. For the first time corporations began to publish the social reporting in Europe in the nineties of the last century [2].

For the last two decades of evolution of world economy of more distinct there is a tendency when along with national programs of a sustainable development of the countries the advanced part of the companies developed and realized own corporate plans of a sustainable development. Only those enterprises which in practice achieved high rates of socially responsible behavior, decreased in negative ecological impact at simultaneous increase in production of goods and services, and it they annually confirm in the social reports, can be considered as steadily developing. Therefore maintaining the full social reporting by the company is an indissoluble component of realization of long-term strategy of its development.

RESULTS

The social reporting as the instrument of realization of social strategy of the organization pursues the following main objectives: 1) image growth and business reputation; 2) increase in capitalization; 3) increase of degree of transparency of firm for the public; 4) increase of investment appeal; 5) providing contribution to sustainable national development.

From introduction of process of preparation of the non-financial reporting in corporation it is expedient to refer to the main results:

- improvement of ratings, in particular a rating of corporate management that, in turn, promotes attraction of the loan capital;

- assistance in strengthening of the international reputation and carrying out successful IPO at the western stock exchanges, and also in attraction as shareholders of institutional investors (such as pension, mutual funds and so forth);

- possibility of attraction of cheaper and "long" loans (for example, receiving the credits from the banks estimating the level of ecological responsibility of borrowers);

- increase of interest of investors not only to the company, but also directly to management, which by means of the non-financial reporting showed quality of the corporate management, corporate stability, high level of management of non-financial risks and ability effectively to interact with interested parties;

- increase of degree of trust in the relations of the company with the interested parties that allows to prevent potential threats and the conflicts to interested parties.

The author until now used the concept "social reporting" at the terminological level its definitions generally giving its substantial description. From the theoretical point of view expediently definition of this concept. The analysis of references showed that today there is no accurate interpretation of the social reporting, and also there is no legislative base defining its legal status in the state as in Russia, and around the world.

In Russia the concept of the corporate social reporting appeared recently. In world practice annual financial reports are issued about 150 years, but the idea of release of the corporate social reporting as it was told earlier, arose about 20 years ago. Appearance of the first corporate social responsibility in the literature associated with large corporate scandals, in which companies are faced with very real social and environmental problems. If the public viewed their activities simultaneously cut off unescorted social reporting, they could be further socially and economically unused. For example, solid and socially responsible oil companies fix ecological consequences of oil spill and results of the taken actions on their elimination in the reports. Another example, Nike released its report, which paid particular attention to the

protection of labor, after the scandal caused by the use of child labor in its branches in Southeast Asia [3].

The social reporting in broad understanding are the reports of the company including information not only on results of their production, economic and financial activity, but also social-and-ecological indicators [4, p. 36]. In [5] social reporting it is interpreted as process of collection of information about participation of the company in social programs.

The World Business Council on Sustainable Development (WBCSD) calls social reporting voluntary presentation of information on the social, economic and environmental performance over a certain period of the company, standardized in accordance with a system of performance indicators and pre-represented in the public domain for all stakeholders [6].

Social reporting is necessary for the development of those companies that have share-term strategy of profitable growth and take into account measurable creation of social risks and opportunities. According to N.N. Lebedeva the social reporting acts not only the instrument of informing society on actions of the enterprise, but also allows operating its reputation. The criteria used in the reporting (economic, ecological, social) provide a target orientation, comparability of results and rating of the enterprises for criterion of realization of functions of corporate nationality [7, p. 51].

The social reporting can act as the instrument of management of the external environment of corporation and at the same time to be a link of corporate development and environment. Proceeding from it is necessary to recognize fair containing in [8] point of view about that, a number of elements of corporate management have character of the strategic development plan of the company to which, in our opinion, it is expedient to carry out:

- the annual budget of activity (reflects the plan of activity of corporation for the forthcoming year);
- corporate strategy (reflects the planned financial model of corporation on a medium-term or long-term outlook);
- corporate mission (the social plan of life of corporation in the environment).

DISCUSSION AND CONCLUSIONS

Taking into account the listed elements of the strategic development plan the corporate reporting appears in the form of the actual reflection of implementation of the plans by corporation. Each report is made purposefully and is designed to meet the interests of various ranges of consumers. In particular, it is about the following types of reports and their customers:

- Accounting report drawn up for tax and other bodies of state power in order to comply with their fiscal requirements of the corporation, so its execution time limit is determined by law;

- Financial statements (according to IFRS) are designed for a wide range of partners and investors, potentially and actually interested in cooperation with the corporation, which is in the external environment limited by the scope of the corporate strategy (financial model) as a way of conduct and activity in the conditions adopted by the mission;

- Social Report is focused on all stakeholders in a particular environment and therefore covers all aspects of the environment, fully revealing in a single document the main thing by means the purpose and implementation of the company's mission.

The social reporting is connected, first of all, with social responsibility. "The corporate social reporting" is mainly a Russian term. In world practice another is used such as corporate sustainability reporting (literally: "the corporate reporting in the field of a sustainable development"). The concept and formats of the social reporting, its ideology and prospects are closely connected with the realized concept of corporate social responsibility [9].

In a number of publications the essence of the social reporting is presented in the form of the non-material cost of business and formed trust to the company. Therefore the corporate social reporting goes beyond simple observance of standard legal requirements, becomes actual for all types of economic activity and their integral part. Such reporting promotes

increase of joint-stock cost in the long term due to ensuring necessary return for all groups of interested persons. Formation of public trust to activity of the company demands existence of transparency and the accountability that the positive affects its image, promotes improvement of business relations with all interested parties. In addition, confidence in the company increases when it releases regular reports, necessarily contain information about solving the problems in the previous report. Social Report may make a platform of dialogue between businesses, the state and society in solving social problems.

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GLOBAL COMPETITIVENESS OF UKRAINE IN THE CONTEXT OF EUROPEAN INTEGRATIONAL DEVELOPMENT

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Abstract: *The aim of the article is to study the ranks of global competitiveness of the EU-countries and Ukraine to find out potential opportunities to improve it. The factors are listed that form the national competitiveness nowadays in the modern world. A list of the most famous world rankings is shown in our article, which allows evaluating the competitive advantages of both complex and individual components. The results of multivariate analysis of twelve indicators of global competitiveness index (GCI) of the EU-countries and Ukraine are described in this article. Ukraine's place in the dynamic context of changing global competitiveness is shown for 2006-2015. The use of cluster analysis helped to identify the types of the EU-countries by the common indicators of global competition and to determine the best location and the position of Ukraine in the European arena.*

Keywords: *global competitiveness, EU-countries, Ukraine, clustering, European integration*

INTRODUCTION

Concept of competition displays the essence of market relations. It is an important part of the whole system of national economy under market relations. Research of competition and competitiveness concepts has not been actual in Ukraine in 1990s, as in the early post-Soviet economic studies the concept of "competition" has not been considered. Therefore, scientific papers of foreign scientists were taken as a basis for domestic researches in this sphere. Nowadays, to ensure the country's competitiveness is important for determining the position of the country in the global market and its national security.

Many scientific researches of modern foreign and domestic scientists are dedicated to the problem of competitiveness' assessment. In particular, Michael Porter [1] has studied the question of the national competitiveness growth and its methods of analysis. Paul Krugman [2] has discovered the features of the US competitiveness assessment. Robert S. Lawrence [3] and Edmund R. Thompson [4] are also investigated the defining characteristics of national competitiveness. Currently, domestic scientist L. Kowalska [5] is actively working over the issue of regional competitiveness evaluation. According to the abovementioned scientists, the mechanism of price regulation of the economic system is a feature of "perfect competition" concept.

MATERIALS AND METHODS

Cluster analysis has been used as the main research method. It gives the possibility to implement a multivariate analysis of the country's competitiveness for EU countries and Ukraine in terms of global competitiveness index.

RESULTS

The country's competitiveness is: 1) the ability of a certain country to produce in the world markets greater wealth than their competitors; 2) the ability to produce goods and services under conditions of free and fair market; 3) the ability to pay for the borrowed funds; 4) the ability to produce goods and services that fit the requirements of world markets and 5) to create conditions for increasing public resources with a rate which are sufficient to ensure sustainable GDP growth and to improve the life quality at the level of the world living standards.

Factors that determine the global competitiveness each of countries differ greatly, because any country cannot be competitive in all or even in most of industries. Countries are succeeding in certain sectors, in accordance with their existing internal resources, which predefine climatic, territorial and socio-ethnic characteristics.

There are a number of widespread methodologies for assessing the level of competitiveness, i.e.: KOF Index of Globalization [6], Global Peace Index, GPI [7], Ease of Doing Business Index [8], Index of Economic Freedom [9], Press Freedom Index, PFI [10], Global Competitiveness Index, GCI [11], Corruption Perceptions Index, CPI [12], Human Development Index, HDI [13] etc.

The methodology of the World Economic Forum has been selected for our analysis. Global Competitiveness Index of the World Economic Forum shows ranking of countries by their economies competitiveness, evaluating 12 performance indicators: 1) administrative sphere; 2) infrastructure; 3) macroeconomic environment; 4) health and primary education; 5) higher education and training; 6) market for goods and services; 7) human resources; 8) financial sector; 9) technological development; 10) market volumes; 11) business development; 12) innovations. These indicators are grouped into three directions: 1) basic requirements of competitiveness; 2) factors of efficiency; 3) factors of innovative development.

Comparison the position of EU-countries and Ukraine by the rank is shown in *Figure 1*. As you can see, Ukraine has one of the worst situations a par with Greece, Slovakia and Croatia. The ranking leaders are the United Kingdom, the Netherlands, Germany and Finland.

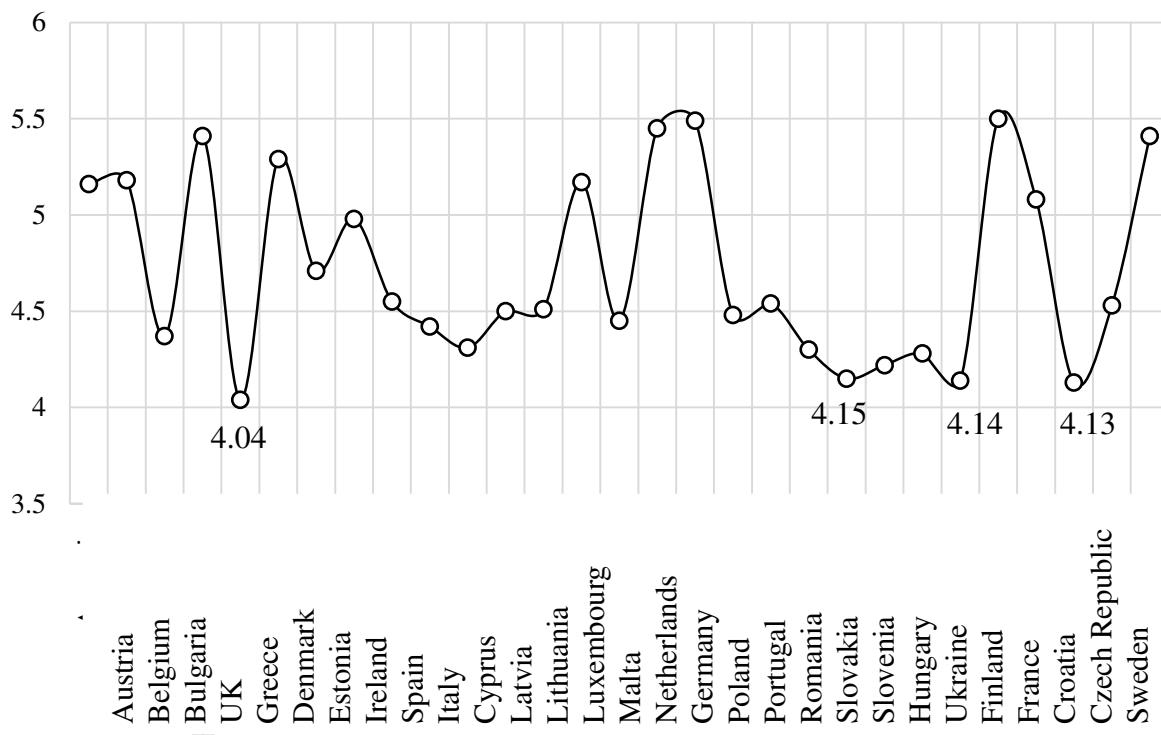


Figure 1: Global Competitiveness Index of EU-countries and Ukraine

Source: calculated by author according to [11]

Based on the significant loss of positions in the ranking, let us consider the dynamics of indicators which Ukraine has from 2006, i.e., the first year of GCI studies in Ukraine (*Figure 2*).

As we can see, Ukraine has experienced the rise and fall of GCI index for the last 7 years. Having pre-demonstrated the wave of growth, it has shown a fall and it has fixed almost at the same level as in 2006, i.e. 4.05 vs. 4.03. Despite the fact that the country's place are varying in the rankings, the total score of Ukraine is the same (i.e. about 4.0), that indicates the absence of attempt to improve any indicator into the ranking.

Since the study includes a wide number of countries and there is a need to analyze many variables, hierarchical cluster analysis has been used as a multivariate statistical procedures for the data collection, which contain the information about the sample sites and ordering of objects in homogeneous groups. Cluster analysis gives the opportunity to develop a typology of the countries, to group them by the common attributes and to identify hypotheses based on research data.

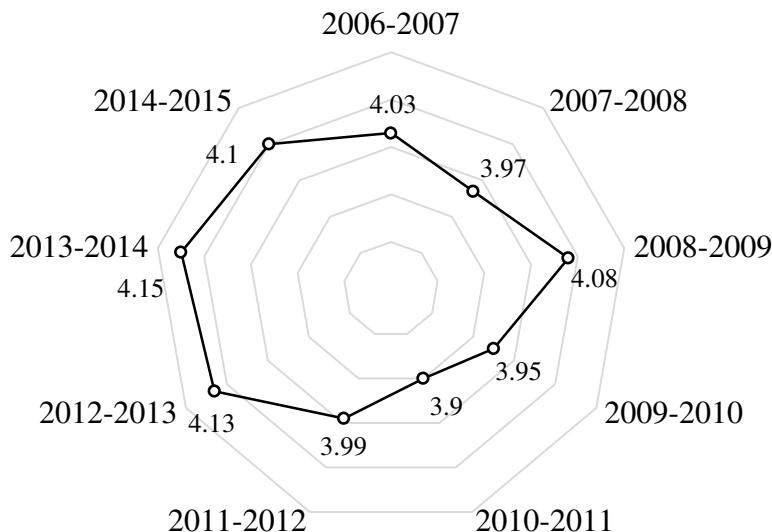


Figure 2: Ukraine's place by GCI, 2006-2015

Source: calculated by author according to [11]

"Clustering Tree" (i.e. dendrogram) is a result of the hierarchical clustering use. Dendrogram is a graph without cycles, which is built on a matrix of proximity measures. Dendrogram allows representing mutual connections between the objects in a given set.

For the analysis we selected data for all 12 indicators of the Global Competitiveness Index for the 28 countries of the EU and Ukraine. As in our case the information about the importance of a trait for the classification is not available we have considered differences in each trait equally, having chosen ordinary Euclidean distance. The method of "filled connections" was selected as the clustering algorithm. It implies that the insertion of a new object in the cluster occurs only if the distance between the objects is not less than a certain predetermined level. The clustering results are presented as a dendrogram in *Figure 3*.

To determine the number of clusters on the distribution of all countries, it is necessary to choose the threshold distance, i.e. such a distance, above which too distant objects will be combined from the point of the researcher. After selecting the threshold distance, perpendicular is built through the point corresponding to the certain distance; and the number of its intersections with dendrogram's "branches" is count. The number of intersections will determine the number of classes. And objects at the "cut-off branch" will determine the composition of the classes. One of the available tools in the program Statistica for selecting the number of clusters is the Ward method. We have selected 7 clusters at the threshold 3 (*Figure 3, Table 1*). Choosing the number of clusters is based on the analysis of specific quality functional by comparing the number of partitions into different classes, opportunities for their meaningful interpretation and other criteria.

Table 1

The composition of the clusters identified by Ward method

| No. of cluster | The number of objects in cluster | Composition of the cluster |
|----------------|----------------------------------|--|
| Cluster 1 | 4 | Luxemburg, Finland, Denmark, Sweden |
| Cluster 2 | 6 | Austria, France, Belgium, the Netherlands, UK, Germany |
| Cluster 3 | 4 | Estonia, Malta, Latvia, Lithuania |
| Cluster 4 | 2 | Ireland, Portugal |
| Cluster 5 | 2 | Spain, Italy |
| Cluster 6 | 3 | Cyprus, Slovenia, Greece |
| Cluster 7 | 8 | Croatia, Hungary, Bulgaria, Slovakia, Romania, Czech Republic, Poland, Ukraine |

Source: created by author

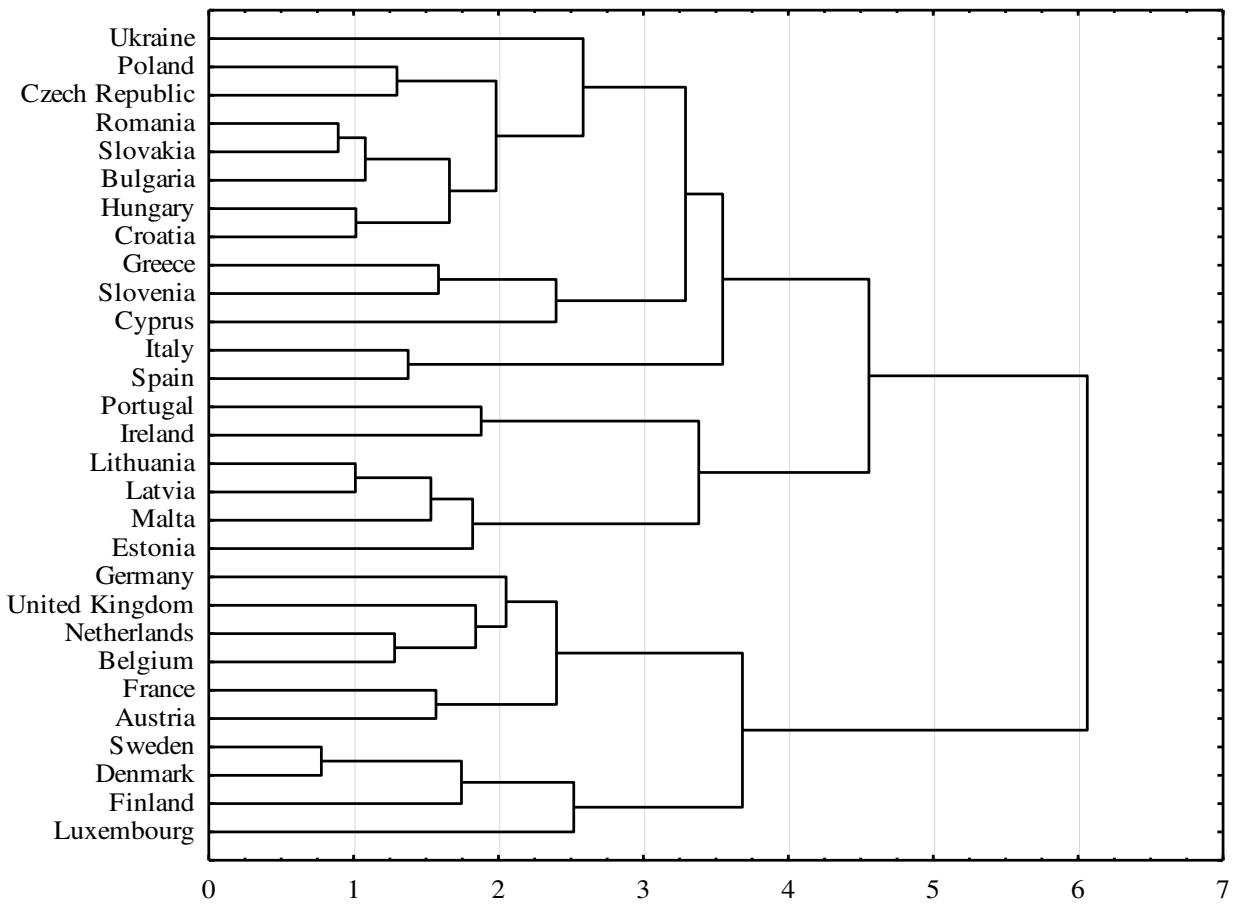


Figure 3: Dendrogram the EU-countries and Ukraine on the 12 indicators of the Global Competitiveness Index, 2014

Source: created by author

As we can see from *Table 1*, Ukraine is located in the same cluster with the countries of Eastern Europe (Croatia, Hungary, Bulgaria, Slovakia, Romania, Czech Republic and Poland), who joined the EU recently and not adapted yet their economies to the level of countries' competitiveness, such as Germany, UK or Finland. The Global Competitiveness Ranking is headed by Switzerland, which took the first position over last six years. The fourth place is occupied by Finland, the fifth – by Germany. Next in the top 10 rankings are: Japan (6), Hong Kong (7), the Netherlands (8), United Kingdom (9) and Sweden (10). Our research shows that the gap in competitiveness among European countries is on the background of the EU's efforts to solve the macroeconomic problems of the Euro-zone. While Northern and Western European countries have a strong competitive position, the countries of Southern Europe, such as Spain (35), Italy (49), Portugal (36) and Greece (81), which are seriously destroyed by the economic crisis and macroeconomic instability, they continue to lag significantly, although each year they make progress for improving their competitiveness.

CONCLUSIONS

Using cluster analysis allows to rank the groups of European Union countries in terms of global competitiveness and to determine the place and the possibility of Ukraine. Analysis showed the place of Ukraine in the European ranking and the need for determination of growth points in the national economy with the following development and implementation of appropriate programs.

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FINANCIAL DISCIPLINE OF ENTERPRISES' ACTIVITIES IN THE REPUBLIC OF MACEDONIA

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Abstract: Entities in the Economy are realizing different types of transactions making financial obligations that usually cannot be fulfilled. As a result there is a problem with financial recovery that disrupts their liquidity, and at the end point, their activity in the economy is worsened. Because of that, in December 2013, for the first time in the Republic of Macedonia was voted the Law for Financial Discipline that regulates payments on time for all financial activities made between private and public entities, preventing failure of the financial obligations on agreed terms. In this direction were the latest changes in the Law for hostages. Financial discipline is best way for solvent and growing economy. Recognition and promotion should be a starting point for motivation for any kind of discipline, instead of punishment. In this article we would like to determine the reasons and needs for finding the way which will be regulatory instead of punishment for successful financial discipline of the entities, that will improve their liquidity and, of course, to ensure better activities in the whole Macedonian economy.

Keywords: liquidity, financial discipline, business transactions, term, financial obligations

INTRODUCTION

Ending "the culture of non-payments or delay in the payments" and getting formal with on time money flows as a result of realization each business transactions between economy subjects from the private and/or public sector was one of the main motives when coming up with the Law for Financial Discipline in the Republic of Macedonia. Expectations from practical use of this Law were: better market function, better liquidity, optimizing work of entities that will increase competitiveness of Macedonian companies and, on the bottom line, improving economical situation in the economy and society. Getting late with financial transactions between entities can lead to interruption in supply chamber, insecurity and indifference for all financial activities between small and medium sized entities, that is custom case for this period in Republic of Macedonia. From all the analyses in Public Procurement Bureau in RM there was no descent and reliable proposal for regulation of financial activities that leads to main reason for unsuccessful procurements in this past period (PPB 2014). Consequences from delayed financial obligations are even more stressed in the time of global economical crises, when approach to the financiers is harder and limited. For that purpose European Union brought Directive No. 2011/7/EU that refers to payment delay in commercial transactions that is actually upgrading of Directive 2000/35 /EU from 29 June 2000.

Accordingly the Report for Financial Stability in the Republic of Macedonia from 2013, published by National Bank of the Republic of Macedonia (NBRM) in July 2014, due days for financial obligations (approximation) in 2013 was period for 174 days, in 2012 that period was 168 days. This leads to a conclusion that, culture for defaults or untimely payments is still alive (NBRM 2014). Comparing to the EU countries, Macedonian average for delays is much bigger than what is considered as delay in monetary obligations within EU countries. Average delay of the monetary obligations in public procurements among EU countries in 2009 was 67 days, delays between economic entities was 57 days, with smaller variations in some countries. These delays are a result for around one of four bankruptcies

that happened, lost for around 450.000 employees, and as a final result for the society around 290 billion Euro in 2009 or 2,4% of Gross Domestic Product of EU (Pendovska Josimovski, 2014, 11).

Expectations by this Law will promote more rational use of available resources, technical improvement of managing and planning entities' resources, improving methods for planning and managing such resources, for better recording of claims and obligations and on time service of all obligations. Real fulfillment of the Law depends on financial condition within the entities. Those entities that will appear to have hard times with fulfillment of its obligations will come up with even worse situation in everyday functioning, and even with threats of misdemeanor, further costs for the delays for about 50 Euro, regardless the amount of claims and period of delay. Directive No. 2011/EU which covers materials about financial delay among commercial transactions, in article 6 prescribe that constituent has the right on 40 Euro compensation for the delay (Bolet, 2011). Constituent has the right on this sum without any further reminders, as a compensation for the costs of delay.

This is the way for stopping reckless delay and prevents cheap lending of entities activities. From the other side it will have some problems with functioning of great number of small and medium sized entities, which financial situation appears to be unpredictable and seems to be financed with the delayed sources. Sometimes the final effect appears to be reduction in entrepreneur activities and having only the basic activities that can be done on time.

METHODS WHICH STIPULATE LAW ON FINANCIAL DISCIPLINE

The Law of financial discipline is applied on business transactions between private sector economic operators i.e. between public sector subjects and private sector economic operators according to which one party is obliged to provide goods, services or execution of works and the other party is obliged to meet the financial obligations arising from the transaction. In Article 4 the legislator comprehensively defines the terms of economic operator and public sector subjects. Even though the legislator did not specifically stipulate it in that way. Article 6, paragraph 1 of the Law stipulates that this law is applied in business transactions of public sector subjects only in cases when public sector subjects are in a position of debtors, and not when they are creditors (Ajcev 2014, 7). This paragraph appears in practice and scientific and professional circles of this area, and it is also in accordance with Directive No. 2011/7/EU.

The legislator has determined different terms according to which the economic operators' i.e. public sector subjects as debtors are obliged to fulfill their financial obligations. So, in a situation when a debtor is an economic operator i.e. when there are business transactions between private sector economic operators, a term longer than 60 days cannot be given for meeting the financial obligations. In order to minimize the possibilities for violation of starting date of the term, the legislator has determined the moment when it starts to be valid. It means that the term for fulfilling the financial obligations starts from the first date of invoice receipt by the debtor i.e. other request for payment by the creditor who has fulfilled the contracting obligations; when the creditor has fulfilled their obligation i.e. made a delivery of the agreed goods, service or work, and the debtor received the invoice or other appropriate payment request before or on the day of confirmation, whereby the term for case review cannot be longer than 30 days of date of receipt of goods or provided service, i.e. work, if by exception as a result of the particularities of the goods, services and works or due to the nature of the contract a longer term has been provided. Only by exception and only if there is an explicit written consent by both parties, a term longer than 60 days, but not longer than 120 days can be stipulated for fulfilling the obligations.

In a situation when the public sector subject appears as debtor, term longer than 60 days for fulfilling the financial obligations cannot be stipulated except in case of multiannual public procurement, when the term can be longer, with no determination of term upper limit by the legislator (Gjorgjioski 2014, 6). Public sector subjects whose accounts are within the

treasury account of the Ministry of Finance are obliged to submit the payment request of the past due invoices, according to the private sector economic operator, to the Ministry of Finance, by the thirtieth day of the starting date of the term for fulfilling the financial obligation. The Ministry of Finance is obliged to pay off the assets stated on the delivered invoice on the account of the economic operator of private sector within 30 days of the date of payment request submission in the treasury offices. For acting contrary to the stated obligation by the Ministry of Finance, the legislator has stipulated paradoxical breach liability for the Ministry of Finance, a fine in the amount of 750 to 1.500 Euros. We shall see how this provision will be implemented in practice.

The unequal position of the economic operators as debtors and public sector subjects as debtors, i.e. the privileges of the latter are visible in the intermediate and final provisions of the law also, when unlike economic operators for whom the law was enforced starting from 1st of May 2014, in the case of public sector subjects as debtors the law will be enforced as of 1st of January 2016.

If the economic operators, i.e. if public sector subjects as debtors in the contracts have not determined a term for financial obligations fulfillment with the economic operators in accordance with the law on financial discipline or when contracts contain void provision referring to the payment term, the law contains additional provision stipulating that the debtor should meet the financial obligations within 30 days.

The creditor who has met their obligations neatly and timely towards the debtor, on the basis of the Law on financial discipline and with no previous reminder or notice by the debtor, has a right to delay compensation in the amount of 3.000 Denars. This compensation does not exclude the right for costs compensation which can be claimed by the creditor on the basis of a contract or some other regulations, as well as for penalty interest calculated and charged according to law. The Law on terms for fulfilling the financial obligations in the commercial transactions in the Republic of Serbia stipulates a delay of compensation in the amount of 20.000,00 Denars, much higher than the determined minimum of the EU Directive of 40 Euros. The right to delay compensation ceases to be valid within three years of the day of term expiry for due financial obligation.

The method for protection against not complying with the term for fulfilling the financial obligations is presented as determination of nullity of contract provisions which in terms of creditor are significantly unrighteous and unfairly determine the payment date or term, penalty interest for delayed payment or costs compensation for delayed payment. The contract provision according to article 10 of the law: determination of payment term longer than the term stipulated for situations when the debtor as public sector subject is considered quite unjustified and unfair; the provision determining the term for invoice receipt date; provisions for exclusion, limitation and conditioning of right to calculation and charging of penalty interest in the amount determined according to law and exclusion, limitation and conditioning of right to delay compensation while meeting the financial obligation.

In the same article the legislator have authorized the trade and other professional chambers, cluster and other organizations, associations and independent professional organizations established according to law, representing the interests of appropriate private sector economic operators to take actions for filing a lawsuit in authorized court for application of contract provisions between private sector subjects which are significantly unrighteous and unfair in terms of creditors. We believe that this provision should not be interpreted restrictively so that only these subjects would be legitimated to file a suit on behalf of economic operators, but rather the right of economic operator to immediately take actions for protection of their rights in the competent institutions should be understood. In addition to this is the situation when both the debtor and creditor belong to the same professional chamber, cluster or organization.

The legislator stipulates another mechanism for protection of financial discipline, so in a situation when a lawsuit has been filed in authorized court, a proposal for execution to an executor or a proposal for payment order to a notary, according to which the legal terms for

obligations payment have been exceeded by the debtor, the executor or notary are obliged to notify in written the Ministry of Finance of financial inspection in public sector, in case when the debtor is public sector subject i.e. the Public Revenue Office in case when the debtor is an economic operator.

RESULTS ABOUT DISCIPLINE OF FULFILLMENT OF OBLIGATIONS BY LAW IN ORDERS

For improvement of financial discipline and implementing discipline in obligations settling, an promissory note has been implemented, which is a confirmed private document by which the debtor gives consent for forcible collection of creditor claim stated in the promissory note from all available assets of the debtor in the payment operations carriers. By adopting this law the debtor has been given a possibility outside and independent of any court procedure, by a qualified private document to give consent for seizing all their accounts with a payment operations carrier for charging certain creditor claim. Order issuing process is carried out electronically, through the system for running the Orders Register of the RM Central Registry. According to the data received by the Central Registry inclusive of 15.01.2014, a total of 85 promissory notes have been recorded in the Orders Register of which 48 have been deleted. The total value of active promissory notes not deleted from the system is 88.624.628,00 Denars, which indicates that small part of business subjects have decided to use the promissory note as means of claims providing (Kocevski 2014, 44).

By the promissory note as means of claims providing the creditor can submit payment collection claim in case the obligations based on promissory note have not been paid until its due date. Claim is submitted until the day stated on the promissory note the latest as a final term for submission of payment claim. In this way the creditor claims can be met without initiating court and/or executive procedure. In the basic text of the Law on promissory note (Off. Gazette of RM No. 59/2012) an obligatory issuing of promissory note was not stipulated, simply, when there is a consent of the will of the debtor and creditor, but the Law on amendments of the Law on promissory note (Off. Gazette of RM No. 12/2014), stipulates an obligatory issuing of promissory note for debtor-creditor relations by which obligations in the amount of 300.000 Denars (about 5.000 Euro) and more have been imposed. Furthermore the legislator has stipulated an offense liability and fine in the amount of 3.000 to 5.000 Euros in Denar equivalent for the legal entity who will not issue an promissory note for debtor-creditor relations which results in obligations in the amount of 300.000,00 Dinars (around 5.000 Euro) and more. A fine of 1.000 Euros in Denar equivalent will be imposed on person in charge of the legal entity also for the same offense. These changes started to be valid at 1st of January 2015. The reactions so far have been disapproving, especially towards the amount of the obligation of 300.000,00 Denars, somewhat less than 5.000 Euros, for which an obligatory issuing of promissory note has been stipulated as well as for the fine amount. Criticism has been pointed towards the stipulated criminal responsibility (fine or prison sentence up to three years) for the person in charge of the debtor who will issue promissory note for which there is no cover at the moment of due term of the promissory note. Criticism has also been pointed towards additional costs for issuing of promissory note in the amount of 3.000,00 Denars for actions taken by the notary in terms of composition, electronic signing, recording and confirming (solemnization) of promissory note (Art. 33 of Notary tariff Official Gazette of Republic of Macedonia No. 108/2012). The fact that this law does not apply to situations when the country appears as a debtor caused numerous negative comments by the private sector legal entities that mostly face many problems when settling the obligations of the country towards them. The fact that the obligation for issuing obligatory promissory note will present larger administrative burden for firms that already have multiple business partners and successive procurements was also criticized. But, despite all observations that can be considered as criticism for improving the legal solutions, the fact that the promissory note will largely relieve the judicial authorities, courts, notaries and executors in these situations should not be overlooked, and it can very much improve payment collection. Anyway it remains to be seen how the law will be implemented from 1st of January 2016.

CONCLUSION

Besides the short period of application of the Law for Financial Discipline in the Republic of Macedonia, we can make conclusion that its application will depend on financial situation among entities that will apply it. Entities will be more cautious in their activities if their liquidity and financial situation is bad, that can lower their activities only on the essentials one.

The situation would be different if the entities will use financial delay as a part of their bad planning and bad management of their financial resources, and delaying in order to use other cheap financial resources and maybe as a culture of delay. Only in such cases we are sure that this law will have its positive effects and its implementation will be justified.

Consequences from implementation of the Law of Hostages amendments will be on further analysis after couple of months of its application.

In a mean time the question is still around us: Is it necessary to have threats and sanctions for normal financial flows? Is it so impossible to change the culture of entities' behavior when respecting the other entities? On this area maybe the answers are simply NO.

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CONCEPTUAL BASIS OF PROVIDING FINANCIAL ARCHITECTURE ADAPTATION OF ENTERPRISES IN THE CYCLICAL ECONOMIC DEVELOPMENT

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Abstract: The theoretical basis of adaptation concept is studied and researched in this article. Necessity of adaptive behavior for enterprises is substantiated in the today's unstable economic conditions of countries with emerging markets. Author emphasized the practical importance of financial architecture adaptation at the entities through its high importance as the most defining market value factor for the business. Author also suggests the complex conception of providing financial architecture adaptation at the domestic enterprises in the cyclical economic development. The aim of the conception is to increase the market value of the business through increasing its financial stability.

Keywords: adaptation, financial architecture, financial structure, corporate governance, ownership structure, financial constraints

INTRODUCTION

The current economic situation of post-Soviet countries, including Ukraine, is defined by the slow systemic transformation, the insufficient development of the institutional sector and profound imbalances of market relations. It increases the probability of crisis and reinforces their negative influence on the activities of economic entities. These problems necessitate ensuring a sustainable companies' functioning as well as finding ways their adaptation to the high volatility of the economic environment.

A common feature of most real sector's entities of the Ukrainian economy is the enable adaptation to changes and fluctuations in the business cycle efficiently and with minimal costs, while maintaining financial stability. However domestic companies, which have sufficient potential to transform traditional circuits functioning in adaptive models, demonstrate the greatest strategic effectiveness.

MATERIALS AND METHODS

Nowadays, the issue of adaptation is widely studied at the level of various entities and systems. Foreign and domestic economic scientists engaged in research of certain issues of adaptation at the microeconomic level in a cyclical business environment. Among the most famous scientists are: G. Joseph [16], M. Daisy [11], M. Faulkender [14], G. DeAngelo [10], M. Flannery [15], E. Fama [13], V. Drobetz [12], L. Markovskaya [17], M. Kokoreva [6] and others. Different forms of the company's mechanisms of adaptation to the changing market environment are investigated in the papers of the abovementioned scientists; the influence of macroeconomic developments on the companies' efficiency is studied; the need to adjust certain business parameters by external and internal factors is justified. At the same time, issues of a comprehensive and systematic adaptation process are unsolved still.

RESULTS

The "adaptation" concept is considered as overall economic aspect from the point of process view [1, 16, 17] or a special ability (properties) of the economic system [2, 11]. However, some scientists understand adaptation as a system's resource (stability margin) [3] as well as the result (new state of the system after a series of events) [8]. The set of theoretical approaches to the definition of "adaptation" concept to the overall economic aspect at the micro-level is shown in *Table 1*.

Table 1

Microeconomic approaches to the definition of "adaptation" concept

| No | Authors | Definitions |
|----|---------------------------|--|
| 1. | N. Galkina [1] | Economic adaptation is a process of company's adaption to the constantly changing conditions, which supposes transformation way of functioning, production structure and organization in accordance with the owner's objectives, as well as the demands and dynamics of the business environment |
| 2. | S. Glagolev [2] | Adaptability of market structures is their inherent ability to change easily their adaptive form to the new conditions, organically fit into the system |
| 3. | M. Derkatch [3] | Adaptation of economic systems to the cyclical changes is the company's stability margin, the ability to maintain its integrity during the passage of instability periods and negative impacts' absorption without significant changes in the structure and its destruction, i.e. the ability for a smooth change of the structure in the dynamics |
| 4. | I. Morochkovskaya [8] | Adaptation (as a result) is a new state of the company resulting from a set of measures for the restructuring of internal processes under the influence of internal and/or external factors |
| 5. | M. Daisy [11] | Adaptation is company's "organizational immunity", which is a system that forms a protective mechanism on the principle of "identification – security – remembering" |
| 6. | J. Joseph, W. Ocasio [16] | Strategic adaptation into the diversified company is a set of adjustments and changes at the both corporate and business unit's level. Adaptive behavior involves the implementation of innovative business-ideas and adaptation to the real problems and opportunities in the market |
| 7. | L. Markovskaya [17] | Adaptation is a process of economic system adaption to the changes in the external and internal environment of its functioning through the development of specific adaptation mechanisms |

Source: completed by author

Research results on the adaptation in the part of the financing of the company's structure by adjusting the financial leverage index are very valuable in the context of the financial architecture [10, 12, 14, 15]. The need for such an adjustment is an objective reaction to the common manifestations of inefficient capital markets: the high volatility of the external financing costs, the access restriction to them and sudden changes in investment needs.

If we will take into account that the optimal capital structure would provide the maximum of the company's value.

Then the actual achievement of the ratio of debt and own capital in the existence of an optimal financial leverage would be impossible. That's why in the framework of a dynamic compromise theory of capital structure, it is offered to determine the individual targeted level of financial leverage in each period, which is calculated on the basis of the definition of company's sub-optimal capital structure. The need to calculate the targeted financial leverage (targeting) is due to the fact that in the absence of significant investment needs, the company can hold a low level of debts with a view to be able to attract additional debt capital in case of profitable investment project and not get into the debt dependence. In such a situation, the company creates additional value according to the rapid changes in market conditions, i.e. it uses a strategic financial capacity.

The set of theoretical approaches to the adjustment of the financing structure as a manifestation of the financial adaptation is illustrated in *Table 2*.

Table 2
**Generalization of theoretical approaches
to the definition of "adaptation" from a financial point of view**

| No | Authors | Definitions |
|----|--|--|
| 1. | R. Ibragimov [4] | Adaptation (as an adjustment of financial leverage) is the plan formation to attract and repay credits, which provides adoption to the target levels of leverage in the company's capital evaluation in the whole horizon of implementation of the adopted investment programs |
| 2. | M. Kokoreva, S. Yulova [6] | Adaptation (as an adjustment of financial leverage) depends not only on internal and macroeconomic indicators, but also on the development of the institutional environment (loan's institute, institute of investors' securitization etc.) |
| 3. | G. DeAngelo, L. DeAngelo, T. Whited [10] | Adaptation (as an adjustment of financial leverage) is a conjunctural, temporary increasing of the company's financial leverage, which is reaction to the sudden increase in investment needs ("investment shocks") justified by the opportunities emergence for profitable investment |
| 4. | V. Drobetz, G. Wanzenried [12] | Adaptation (as an adjustment of financial leverage) is differ by rising speed in the boom periods compared with recession periods, as adaptation costs in boom times are lower. High-growth companies are more adaptive, as their capital structure differs significantly from the targeted structure |
| 5. | M. Faulkender, M. Flannery, K. Hankins, J. Smith [14] | Adaptation (as an adjustment of financial leverage) is a model of the companies' financial behavior under imperfect capital market; it assumes a constant conjunctural change of the financing structure directed to minimize transaction costs, reducing financial constraints and the growth of the business market value |
| 6. | M. Flannery, K. Rangan [15]; V. Dang, M. Kim, Yu. Shin [9] | Adaptation (as an adjustment of financial leverage) is closely linked with the internal performance of the company, such as the size of its capital, the profitability of total capital, growth opportunities, as well as the features and the level of financial constraints |
| 7. | M. Flannery, K. Rangan [15]; E. Fama, K. French [13]; R. Xong, J. Ritter | Adaptation (as an adjustment of financial leverage) is the adoption process to the company's targeted (suboptimal) capital structure as a consequence of certain deviations. The targeted level of financial leverage is calculated in each period on the basis of aggregated financial company's indexes and macroeconomic indicators. Dynamic theory of capital structure points to high-speed devices; hierarchy theory casts doubt on the market-justified targeted level of financial leverage and, therefore, it assumes a low speed adjustment; both a hierarchy theory and tracking market theory indicate a low adaptation rate, as companies try to implement it symmetrically |

Source: completed by author

According to the representative samples of adaptation at the level of implementation of the companies' financial activities, it should be noted, these papers do not reveal co-adaptation issue (mutual adaptation of the structural parameters of the business within the system), while the corporate finance sector considers and explores the financial business-relations of entities on the basis of their internal characteristics, such as corporate governance, ownership structure, size of assets, etc, which directly or indirectly affect the market value of the company, along with the capital structure.

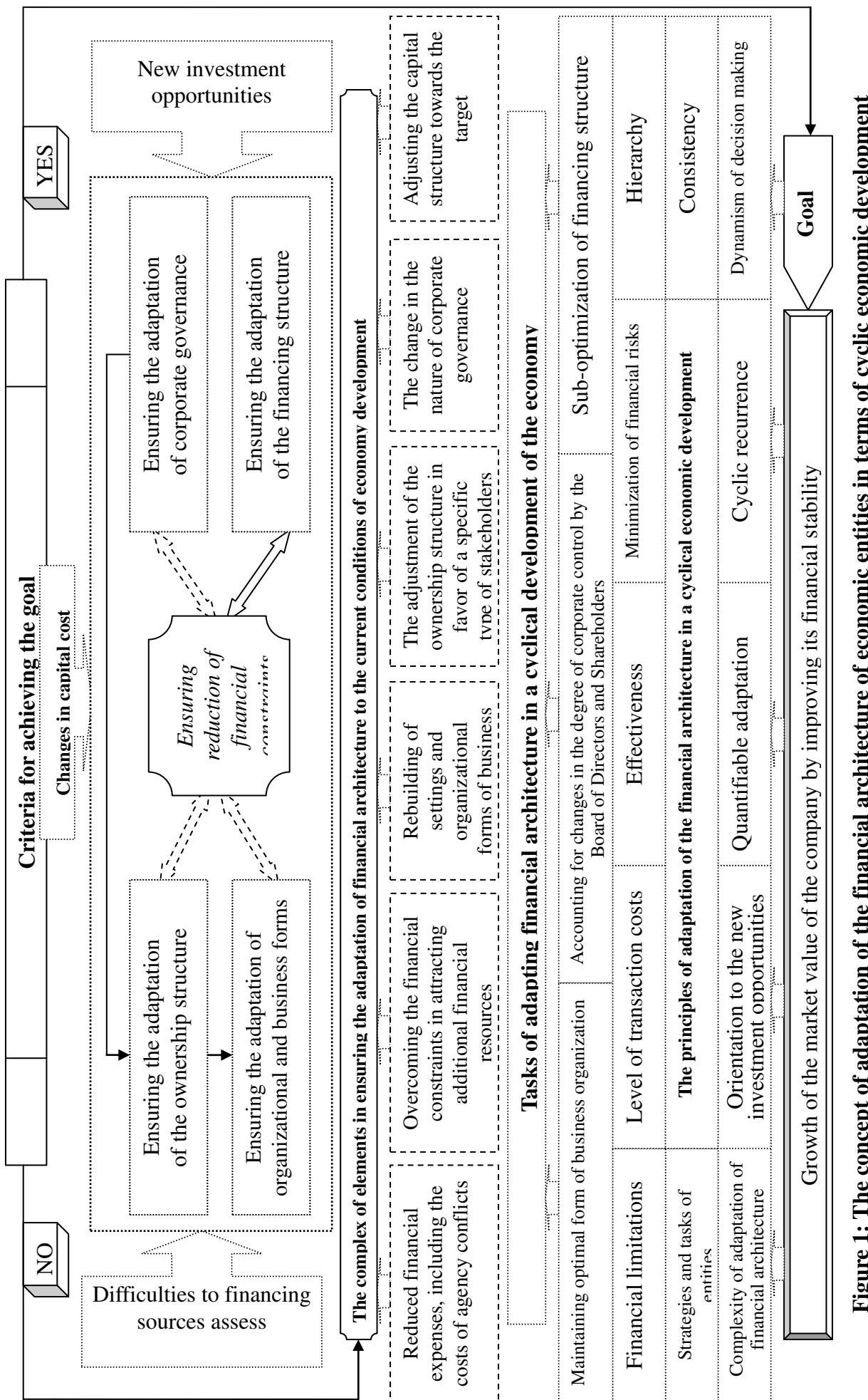


Figure 1: The concept of adaptation of the financial architecture of economic entities in terms of cyclic economic development

Source: created by author

The "financial architecture" concept is a dynamic system (integrated integrity) of interrelated characteristics that embodies the fundamental laws and determines the qualitative features of the financial activity implementation the enterprise, its effectiveness and influence on the market business value. Companies system specifications as the elements of the financial architecture, are the ownership structure, corporate governance, form of business-organization and management, as well as the financing structure (central and most adaptive element of the financial architecture) [7].

Thus, on the one hand, the financial architecture is the company's institutional structure, where its financial relations are built, and on the other hand, it is a determining factor in the market business value. The problem is a complex business adaptation in accordance with the changing phases of the macroeconomic and business cycles can be solved with the help of the financial architecture concept. However, the implementation of the adjustments to the level of individual components of the financial architecture does not mean the effective business adaptation to cyclic changes. It justifies the developing actuality of the financial architecture concept creation to adapt business entities in a cyclical economy development (*Figure 1*).

The goal of the financial architecture adaptation of the enterprise is associated with the main objectives of corporate financial management, i.e.: 1) the increase in the market business value, 2) the economic activity expansion, 3) the maximization of profits and 4) the increase of financial stability. Ensuring the financial architecture adaptation is based on the general economic principles (consistency, efficiency, dynamism, complexity, etc.) and specific (minimization of financial risks, constraints and transaction costs, focus on the new investment opportunities, sub-optimization of capital structure, taking into account changes in the degree of corporate control, maintenance the optimal form of business organization and management, etc.).

Achieving a common goal involves the solving the following tasks: 1) adjusting the capital structure on targets; 2) changes in the corporate control degree by the Directors Board; 3) adjustment of the ownership structure in favor of the stakeholders; 4) restructuring of the forms of the business organization; 5) overcoming the financial constraints associated with additional financial resources. Moreover, adaptation of the financial architecture should focus on cyclical changes in the business-environment, i.e.: new investment opportunities in times of revival and boom, as well as complications of access to financing sources in crisis times. The effectiveness of the adaptation process identifies a simple access to financing sources and reducing the cost of financial resources.

CONCLUSIONS

A critical review of the scientific literature on the business entities adaptation to the macroeconomic changes have allowed to generalize the methodology and offer a comprehensive concept for the adaptation of economic entities financial architecture under of cyclic economic development. The proposed concept is a system of coordinating actions to raise the efficiency and strategic growth of the market business value. The perspective of further analytical study of adaptive processes at the level of the financial architecture of national enterprises and the influence of such an adaptation on the effectiveness of their activities in the different phases of the economic cycle becomes relevant because of the resulting construction of the concept according to the recommended value. The perspective of approbation and implementation of the proposed concept in the real business conditions has a separate scientific interest.

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MODELLING OF STRATEGIC INTERACTION OF ENTERPRISE WITH COMPETITORS

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Abstract: The research is aimed to explore the approaches of strategic interaction of enterprises with competitors. Modelling of strategic interaction with competitors involves psychological aspects of influence and feedback from competitors. That is why it is reasonable to use reflexive control. Strategic interaction includes market analysis and competitive advantages, the construction of industrial functions of supply and demand, assessment of the strategic role of the enterprise market, functioning of the enterprise on the market and achievement of the goals. The main types of competitive interaction are attack, defence, counter-attack, retreat, and actions. Interaction of enterprise with competitors based on the reflexive approach provides a focused organizing of reflexive influences which could incline arrival to make decision which are forecasted by the enterprise and improve its financial position and competitiveness in the market and enhance reputation. We propose the model of interaction of enterprise with competitors based on reflexive approach which takes into account the function of the efficiency of the enterprise on the market.

Keywords: enterprise, competitor, interaction, market player, modelling, reflexive management, strategic management

INTRODUCTION

The success of the enterprise depends on the effective management of its business processes and efficiency of the market. Consumers, competitors and suppliers are the main actors with whom the enterprise interacts on the market. Strategic interaction with actors of the market is a process of choosing a strategic behaviour of the enterprise in the process of interaction market players. Competitors significantly impact on the functioning of the enterprise, its behaviour, interaction with other actors on the market and performance in general. Therefore, in this research, we are aimed to model the interaction between the enterprise and its competitors. Interaction between enterprise and its competitors is explored in great amount of scientific research. The theory of games is the most widely used approach [1, 4, 5, 11]. However, the choice of model of interaction with competitors depends not only on objective factors but also on actors who make decisions. Therefore, the problem of interaction with competitors should be considered in terms of reflexive control.

The research of R. Lepa [3], V. Lefevre [2], M. Malchyk [6], S. Sergeyeva [10], D. Novikov and A. Chkhartishvili [7] were aimed to explore the particularities of the approach reflective control in economy. Concerning interaction with competitors as reflexive governance can be categorized as a purposeful organization reflexive influence that inclines rivals to make decisions which are forecasted by enterprises and are aimed to improve the financial position of the enterprise and enhance its competitiveness on the market.

MATERIALS AND METHODS

To achieve the formalized objectives, we applied methods of analysis and synthesis, systemic approach, mathematical modelling, game theory and others. Instrumental, theoretical and methodological basis of the study are scientific works of modern Ukrainian and foreign scientists on the strategic management and reflexive management.

RESULTS

Implementation of enterprise strategic interaction with competitors envisages implementation of the following stages:

- Analysis of the competitive environment and the type of market structure, exploration of the main trends of the market;

- Analysis of the barriers to entry and market exit, assessment of the aggressiveness of the competitive environment and the degree of tension on the market;
- Analysis of the competitive advantage (own and competitors);
- Construction of the industry functions of supply and demand and functions of individual losses (own and competitors);
- Assessment of the strategic role on the market (leader, partner, follower, etc.);
- Functioning on the market within the chosen strategy and adjustment of responses to the actions of competitors according to the goals;
- Achievement of the optimal parameters of the market equilibrium of the enterprises while using the optimal strategy of interaction.

Strategic interaction with competitors is aimed to choose a type of interaction on the basis of the decision about market share, which will take the enterprise. The enterprise can choose the following types of competitive interaction attack, defence, counter-attack, retreat, or concerted actions.

Modelling of strategic interaction which is based on attack involves formation of new business communications, information intervention, conquering of the new market segments and development of new product groups of goods and services. Interaction in such models is aimed at winning new competitive position by conquering them from competitors.

Concerning defensive competitive actions enterprise develops models of response to the attack of competitors. These models are based on countering to opponents who first initiated the interaction of the parties and try to impose their interests on the market. This type of modelling of interaction is aimed to keep the competitive position, prevent the formation or strengthening of competitive disadvantages, preserve and maintain the sales potential and competitiveness.

During the defensive actions the enterprise can form a counter-offensive strategy. This type of the interaction is advisable to develop enterprise when it becomes obvious that the competitors have developed a weak strategy of attack that has certain drawbacks, including poor defending position of competitors. Modelling of the strategy of counter-attack interaction includes the development of information exchange model that forms the image of the enterprise for a competitor, which reflects the significant potential for attack, absence of the intention to attack at the moment, support of the competitive position in such a way that competitors could not attack in the nearest future.

In such competitive actions as surrender, the enterprise consciously surrenders to competitors. Modelling of strategic interaction in this case is aimed to resolve systemic competitive and partial problems. The process of surrender (withdrawal from the market) is performed by the enterprise independently.

Companies that are in this process, continue to operate in a competitive environment and interact with actors of competitive environment. Such models are temporary. After a period of time the enterprise leaves the market or returns to the market, which requires the formation of a new model of strategic interaction.

Models of strategic interaction aimed to solve partial problems of surrender are developed when the enterprise surrenders certain positions in order to preserve others. For example, business diversification, when the enterprise leaves certain sectors of the market of goods and services, at the same time preserving other sectors and is aimed to conquer new sectors of the market. Besides, the enterprise could surrender in order to avoid interaction with certain competitors but continues to interact with other competitors.

Enterprise and competitors can cooperate. In this case, there must be mutual agreements. Prerequisites of modelling of strategic interaction which is based on interaction the coordination of actions is length of period and restricted number of participants, actors and directions of interaction defined by both sides. All these conditions should be reflected in the model of strategic interaction of enterprise. Models of strategic interaction must be developed within mutual agreements in the so-called corridor of agreement, which is described in a model of strategic interaction.

We will explore a market in which the enterprise and its competitor operate. Demand in the market is D . The minimum possible volume of supply (the initial proposal) is S . p_1 is the maximum price of products in the market (set for new products or scarce); p_0 is the minimum price of goods (achieved in the case where output exceeds demand). Then $(D-S)$ is market variation; (p_1-p_0) is range of price changes for products; Sp_1 is minimum income products on the market; (Dp_1-Sp_1) is maximum satisfied demand on the market (in monetary terms), which is typical for new markets. We write the equations for this market (1):

$$\frac{V-S}{D-S} = \frac{p-p_1}{p_0-p_1} \text{ and } p = \frac{p_1 D - p_0 S}{D-S} + \frac{p_0 - p_1}{D-S} V \quad (1)$$

In a market, where the operating enterprise and enterprise are competitors, V is the total proposal, which is described by formula (2):

$$V = \sum_{j=0}^n x_j, \quad (2)$$

where x_0 is the volume of production by enterprise; x_j is the volume of production by competitor ($j = 1, n$); n is the number of competitors on the market.

Then the price will be determined by the following formula (3):

$$p = \frac{p_1 D - p_0 S}{D-S} + \frac{p_0 - p_1}{D-S} \sum_{j=0}^n x_j \quad (3)$$

To simplify, we introduce the following notation α_0 i α_1 :

$$\begin{cases} \alpha_0 = \frac{p_1 D - p_0 S}{D-S}, \\ \alpha_1 = \frac{p_1 - p_0}{D-S}. \end{cases} \quad (4)$$

Then the formula (4) will be like formula (5):

$$p = \alpha_0 - \alpha_1 \sum_{j=0}^n x_j \quad (5)$$

To determine the volume of production we introduce the concept of efficiency producer if i ($0 < f_i \leq 1$). Cost of production of the most efficient producer will be minimal (c_0). Cost of production producer i (c_i) is (6):

$$c_i = \frac{c_0}{f_i} \quad (6)$$

Then the objective functions of enterprise and competitors is (7):

$$g_i(f_i, x) = \left(\alpha_0 - \alpha_1 \sum_{j=0}^n x_j \right) \cdot x_i - \frac{c_0}{f_i} x_i \quad (7)$$

The objective function which characterizes profit, defined as the difference between gross income and cost. Gross profit of enterprise (competitor) is determined by the structure of the market. Cost of products (competitor) depends on the effectiveness of producer.

Optimal production is (8):

$$\frac{\partial g_i(f_i, x)}{\partial x_i} = \left(\alpha_0 - \alpha_1 \sum_{j=0}^n x_j \right) + \alpha_1 x_i - \frac{c_0}{f_i} = 0 \text{ and } x_i = \frac{1}{2} \left(\frac{c_0}{\alpha_1 f_i} - \frac{\alpha_0}{\alpha_1} - \sum_{j \neq i} x_j \right) \quad (8)$$

After calculations used in this model, the enterprise can decide on production and, consequently, determine market share, which it will take.

DISCUSSION AND CONCLUSION

The optimal amount of enterprise and the average of competitor determined on the basis of the model can provide market equilibrium only when all competitors clearly understand actions of each other and feel their interdependence on joint action and are able to forecast the reaction of the competitors in response to their actions.

The presence of strategic interaction in a competitive environment does not mean that the enterprise will come to the optimal interaction parameters, but in other conditions when all equal, the option of achievement of optimal parameters of equilibrium is the most likely at a strategic interaction between enterprise and competitors.

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POSSIBILITIES FOR DEVELOPING WASTE MANAGEMENT BUSINESS IN BULGARIA BY INTERACTION OF THE STRATEGIC MODEL: PUBLIC-PRIVATE PARTNERSHIP

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Abstract: The inclusion of the strategic model of public-private partnership in waste management business by the interaction of manufacturing companies is a core element in the development of the circular economy¹⁰. In a lot of Member states in the European Union the economy conditions require implication of the circular economy and PPP is the key. This is a great opportunity for the building of a recycling community¹¹.

In 2015 in Bulgaria a waste management factory was opened in the capital Sofia¹². The factory is not the most effective one in comparison to the leading companies in the EU. E.g. in the Netherland is located the company AEB Amsterdam, which is a municipal property since 2014, as well as and the private company Orgaworld¹³. Another private company is SUEZ Environment¹⁴, which operates with third parties in United Kingdom, Canada and Germany. In Bulgaria exist four private companies in the waste management business and the companies' activity is directed in recycling of waste packages. As a whole, the waste management business includes a lot of different kinds of wastes and the strategic market share of the companies is possible to be expanded in comparison to the other companies in EU.

In the waste management business the level of commercial freedom of waste management companies is important and it depends on the funding sources. That is so, because if one company has been built by the private sector, the freedom level would be high but if the funding sources come from the public sector, the level of commercial freedom is possible to be decreased.

Purpose of the article is to discover the commercial freedom level in the waste management business in Bulgaria and EU by the interaction of the PPP. Object of the article is the company "Bulecopack" JSC, which business area is recycling of waste packages.

Keywords: strategy, public-private partnership, management

INTRODUCTION

The waste management process officially origins from the Lansink Ladder¹⁵ (Figure 1). The core of the waste management policy in the European Union is based on the Lansink theory from 1994. In accordance to the Lansink Ladder is created the main document in the environment area, namely the Directive 2008/98/EC, which is applicable in all Member States in the Union. The waste recycling policy is set out in the Directive 2006/12/EC¹⁶. In 2020 all Members states in EU should reach the recycling level of 50% of all generated wastes. It is not a problem for some member states such as Germany, Austria, Sweden, Belgium, the Netherlands and Denmark, where the waste recycling level is more than 50%.

¹⁰Moving towards a circular economy, DG Environment, EU, Available at: http://ec.europa.eu/environment/circular-economy/index_en.htm.

¹¹Institute for European environment policy (IEEP), 2010.

¹²Official site of the waste management factory in Sofia, Available at: <http://sofia-waste.bg/?q=en>.

¹³The company Orgaworld, Available at: <http://orgaworld.nl>.

¹⁴The SUEZ Environment company, Available at: <http://www.suez-environnement.com/businesses/recycling-and-reclaiming-waste/delegated-waste-management>.

¹⁵Waste recycling in Netherland, the Lansing Ladder, Available at: <http://www.recycling.nl/ladder-van-lansink.html>.

¹⁶Resource efficiency, European commission, General Directorate Environment, (2011), p. 39, Available at: http://ec.europa.eu/environment/natres/pdf/Resource_Efficiency_Final.pdf.

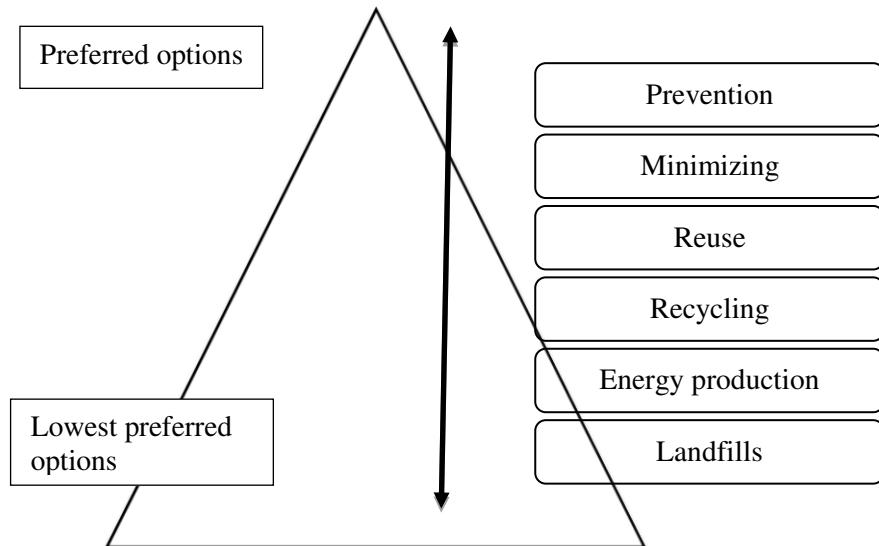


Figure 1: The Lansink Ladder

Source: Waste KIT, Seventh Framework Program
 In this way they cover requirements noticed in the Seventh Environment Program¹⁷, as well as in the "Zero waste strategy"¹⁸. In Bulgaria the situation is quite serious because of the fact that in 2015 about 70% of all generated wastes fall into landfills. In this way a commercial freedom based on the collaboration between private and public sector is essential. In Bulgaria operate four private companies in waste management business. They observe the requirements of the Ministry of Environment and Water due to the Ordinance on packages and waste packages. The companies are the following: "Ecobulpack" JSC, "Ecopack" JSC, "Bulecopack" JSC and "Ecocollect" JSC. They recycle plastic, paper and cardboard, metal, wood and process of composting. But the waste recycling and utilization business encompasses wastes like clothes, shoes, cars, waste food, batteries, electrician products, kinder players, etc. In this way it is possible to extend the waste management business and especially the recycling of wastes.

In accordance to the dataset, gathered from the order¹⁹ issued by the Ministry of Environment and Water concerning waste recycling business, in the current paper is suggested mathematical analysis (*Table 1*).

Table 1
Summarized information

| Company | Placed on market packages from wastes | Waste recycled from packages | Level of wastes utilization and recycling |
|------------------|---------------------------------------|------------------------------|---|
| "Bulecopack" JSC | 44 841,88 (13%) | 29 257,70 (14%) | 65,25% |
| "Ecocollect" JSC | 52 835,85 (16%) | 32 513,18 (15%) | 61,54% |
| "Ecobulpack" JSC | 93 312,41 (28%) | 62 822,35 (30%) | 67,32% |
| "Ecopack" JSC | 142 680,01 (43%) | 87 144,07 (41%) | 61,08% |
| Total | 333 670,15 (100%) | 211 737,30 (100%) | |

Source: Ministry of Environment and Water; Bulgaria

The abovementioned information presents that the waste utilization and recycling level encompasses the range from 61.54% to 67.32%, but the non-utilized wastes are about 35%, which is really a great level in comparison to the top waste management companies across the EU. But the recycling level is more than 50%, which fully covers the digits in the Seventh Environment Program. The rest of the waste volume till 35% is possible to be treated by

¹⁷The 7th Environment Action Programme (EAP), Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013D1386&from=EN>.

¹⁸Zero waste Europe, Available at: <http://www.zerowasteeurope.eu/2013/09/zw-strategy-in-europe-explained-the-main-principles>.

¹⁹Ministry of environment and water, Bulgaria, Available at: http://www.moew.govtment.bg/files/file/Waste/Opakovki/Zapoved_347_210515_OPAK.pdf.

incineration method. As it is known the waste level falling into landfills should be not more than 1 or 2%. The waste treatment capacity of the Bulgarian WMF is 410 tons; average daily capacity is 1320 tons. The mechanical-biological treatment process encompasses the next procedures: manual separation and sorting, biological treatment of organic wastes and production of Refuse derived Fuel (RDF)²⁰. There is a great shortcoming, because separate waste collection system is not introduced by now and waste recycling community is not possible to be created in the capital of Sofia and in Bulgaria at all. In accordance to the "Thematic strategy on the prevention and recycling of waste"²¹ the wastes should be collected separately in the stage of generating.

The municipality of Sofia needs a strategic collaboration with private sector in the area of effective waste management process. The waste recycling level amounts of 3.41% or 14 tons from 410 tons. From a strategic view point the low level of recycling is not satisfactory till now. The foreseen waste level falling into landfills is about 27.80%, which are really too much lost resources. The great achievement of the waste management factory is the production of the Refuse Derived Fuel (RDF) and process of composting. It is foreseen that till the end of 2021 the recycling level would be about 23.19%, which is far away from the level of 50% marked in the Seventh Environment Program, but the level of the treated waste could supposed to be about 92% and that is a good forecast for 2021. This means that waste management factory should be equipped with a separate waste collection system. The system should be located closely to every householder's or administrative buildings and offices in Sofia.

The abovementioned private companies use that separate waste collection system. Therefore the private sector has more efficiency in the waste management business as well as the profit level, synergy of processes and economy of scale in comparison to the public sector, so in conclusion the waste management factory in Sofia needs an improvement. In this way it is clear that the public funding source has a lower effective level in comparison to the private one and the commercial freedom is not possible to be realized solely by the public sector as well as the circular economy.

The waste management capacity of the company AEB Amsterdam is analyzed in our article. Since 2014 the company has become 100% municipal property of the Amsterdam city. It possesses unique waste management strategy including electricity producing and recycling. The treated wastes are 99% and only 1% fall into landfills. The volume of the treated wastes amount 530 tons. The produced energy is 1 million MWh yearly as well as 600 000 gigajoules for the process of household heating. The provided electricity is enough for 320 000 households. The company has a partner, the University of Technology in Delft. The next figure depicts the company's management structure. The management board consists of two managing directors responsible for the company's management as well as for general affairs. The company has a supervisory board with four members. It offers an import of the wastes from another municipality in the EU. In this way could be noted that company possesses commercial freedom in comparison to the Bulgarian WMF, which is the first factory at all, funded by the municipality of Sofia and EU funds. Thus, the commercial freedom depends on the knowledge, traditions and skills of the public and private sector. The freedom of the commercial activity in waste management business is excellently developed in the company AEB Amsterdam.

Another waste management company in the Netherland treats about 96% of all generated wastes. Its activity is based on the business model DFBM (*Design Finance Build Management*). The company's property is private. Its name is Orgaworld²²; it treats about 120 000 tons organic wastes by composting method. Both companies have more than 95% waste treatment level, which is a big business efficiency, especially in comparison to the Bulgarian waste management factory till now, because the level of waste utilization is predicted to grow up to 92% till 2021.

²⁰Official statistical data on waste management factory in Sofia, Bulgaria, Available at: <http://sofia-waste.bg/?q=bg/content>.

²¹DG Environment, EC, Available at: <http://ec.europa.eu/environment/waste/strategy.htm>.

²²The Orgaworld company, Available at: <http://www.orgaworld.com>.

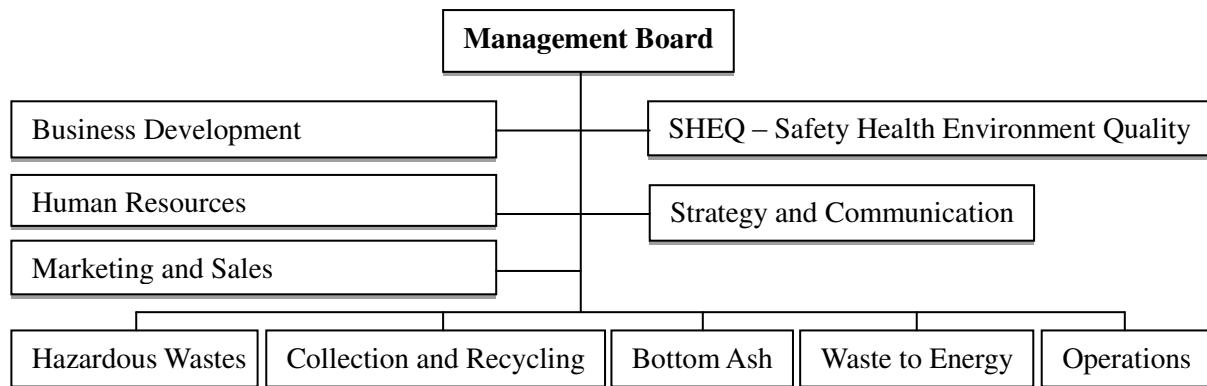


Figure 2: Management structure of the AEB Amsterdam²³

Source: AEB Amsterdam

The strategy of the company SUEZ Environment is directed to the increase of the green vision and innovation of the industrial business. The company is a private property with trading shares on the capital market. The waste recycling level is 90% of all incoming wastes. The results derive from the innovative sorting platforms. SUEZ Environment produces energy from wastes by incineration methodology. The commercial freedom of the private sector in Bulgaria is much more effective, because of the fact that the waste management business with third parties is free and the profit will be higher in comparison to the municipal waste management factory in Sofia. Private companies in Bulgaria possess equipment, skills and professional knowledge to be strategic competitors in comparison to the Dutch's and UK companies. The business model public-private partnership is the strategic element of the development of the waste management.

In the article could be applied two strategic business models. The first one is connected to the private property of the waste management company and the second one is based on co-financing between public and private partner in the process of a factory creation.

The first strategic model is *BLoOOM* (*Figure 3*) (*Build-operational Leasing-Operate-Own-Management*) and the second one is *BLfOMT* (*Figure 4*) (*Build-financial Leasing-Operation-Management-Transfer*). In the elaboration of the models is included the "Bulecopack" JSC as well as small and medium sized enterprises (SMEs) and the municipality.

Bulgarian waste management business needs to be developed in accordance to the high effective commercial business strategy among the European waste management market. Therefore should be assumed the next strategic model (BLoOOM). That means, that the private partner is presented by the consortium²⁴ (Bulecopack JSC and SMEs), it is an owner of the assets, land and the factory, and in the end of the contract duration it does not transfer the company to the public partner. The public sector is solely an owner of the separate waste collection equipment displayed on the municipal lends.

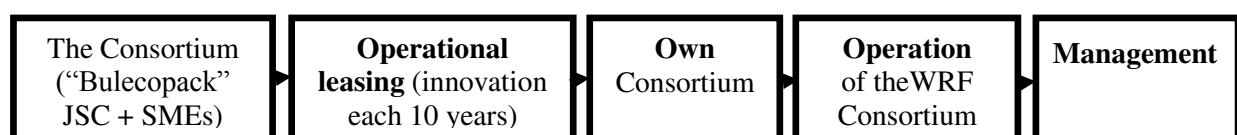


Figure 3: New business model BLoOOM

Source: created by author

By applying the strategic model BLoOOM the private funding will ensure more commercial added value than the public one, this is valid only in the poorly developed MS like Bulgaria.

²³Organogram of the AEB Amsterdam, municipal company, Available at: <http://www.aebamsterdam.com/about/organization>.

²⁴Stoyanova, T. & Nikolov, K. (2015), New PPP idea in manufacturing business, *Journal L'Associaion 1901 "SEPIKE"*, Edition 8, p. 188.

The second business model looks the same, but it is completely different from the first one, because in the process of establishment are included public and private investments. The model is applicable for municipal funding as well as for EU funding. In the end of the contract duration, the company, the land and the assets should be transferred to the public partner.

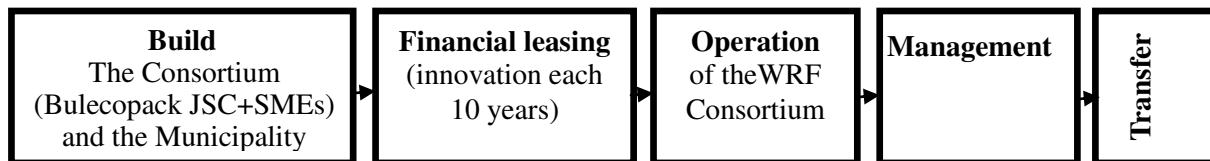


Figure 4: New business model BLfOMT

Source: created by author

The business duration is admitted to be about 30 years. The land is a public property, construction of the waste factory is funded in collaboration between public and private partner. The public funding sources could be provided by the Municipality and European structural and investment funds. The private funding is provided only in case of purchasing of the equipment of the waste treatment processes. The management strategy is applicable for both business models. The management body of the models consists of three functional units²⁵, namely in the process of recycling, incineration and composting. In this way will be realized the specification of the recycling society²⁶ in Bulgaria. So noted, wastes can be used by methods of incineration, recycling and composting by manufacturing business and a circular economy will be developed.

The business strategy is supposed to be imposed in the less developed MS in EU, because the municipal funding is not enough like the Amsterdam one. Otherwise, the private sector could not invest great funding resources in waste management business.

CONCLUSION

Both strategic models give a high level of commercial effectiveness to the waste management business. Collaboration between public and private partners could be realized in accordance to the origins of funding sources, where the public or private sector is a leading partner in the funding strategy. "Bulecopack" JSC is possible to be a leading competitor in the light of waste management business. By applying the new PPP business models BLoOOM and BLfOMT, the company will have an effective position amongst the researched companies in the business. The main aim of the recycling business could be based on modern managerial techniques between the process of waste recycling and production of end products.

Bulgarian economy is on the threshold of realizing its management strategy in relation to the waste management process. In this way, our state will reach levels noted in the 7th Environment Action Program in 2020 as well as to turn itself into an advanced member state in waste recycling business.

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²⁵Nikolov, K. (2015), New PPP Management idea in recycling business, *Journal L'Associaion 1901 "SEPIKE"*, Edition 8, p. 142.

²⁶Institute for European environment policy, 2010.

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TRANSPARENCY OF BANKING ACTIVITY IN UKRAINE

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Abstract: The methodological approach for evaluating transparency of banking activity in Ukraine was researched in the article. According to purposes of research, information about banks activity was structured on six different components. For investigation, data from statements and websites of the largest Ukrainian banks was used. The dependence of the financial sustainability of banks and their transparency were analyzed; as a result, it was proved that information transparency is not the only factor that affects banks' financial sustainability. The low level of transparency of banking activity increases the risks of information asymmetry that leads to a decrease of trust to banks. This confirms the need for developing action for aligning transparency standards of domestic banks to the practice of international banking.

Keywords: bank, transparency, risk, financial sustainability, information asymmetry, trust, rating

INTRODUCTION

The main economic function of banks is intermediation between free cash owners and those who need it for economy and society development. Funds are distributed among the various economic participants like loans and investments, forming long-term and short-term assets. Banks opportunities to perform this function depend on the quality and adequacy of information that is available to banks and their customers. Information asymmetry leads to imbalances and creates additional risk factors that complicate the efficient functioning of the credit market.

Nowadays, the problem of information support for Ukrainian banks and their customers is particularly important. Recent trends of the domestic banking sector associated with a reduction in the number of banks through the recognition of their insolvency, the market panic among depositors, worsening political and economic crisis, loss of significant market share because of the war activity in Eastern Ukraine.

MATERIALS AND METHODS

The object of study on transparency of Ukrainian banks is the group of the largest banks by assets. For the study, a methodology for evaluating and analyzing the six components of banks' information transparency was used. Information components was detailed by 106 questions and divided into the following structure: the structure of ownership and group structure (component 1); corporate procedures (component 2); financial information (component 3); operation information (component 4); information about the board of directors and management (component 5); and rewards of management board members (component 6).

For research, information from annual banks statements and materials from their websites were used. The purpose of the analysis was to estimate the transparency of selected banks and compare the results to their financial stability. We have suggested that financial sustainability and transparency of the bank has a direct relation.

RESULTS

The analysis found that the average level of information transparency of banks considered at the beginning of 2015 is quite low with 37.72%. Index of transparency for the components is shown in *Figure 1*. As *Figure 1* illustrates, banks provide more complete financial information (58.31%). This can be explained as a necessity carrying out requirements of laws and reporting in compliance to international standards. Also, banks are more open about the information on the structure of ownership (55.94%) mostly providing information about the owners of shares with more than 10% of the capital. Most closed banks information is about

the rewards of management and members of the board of directors (the Board) with 2.75%. This information was tracked in some banks, published in the annual financial statements, or statements of the Bank as issued only the total amount.

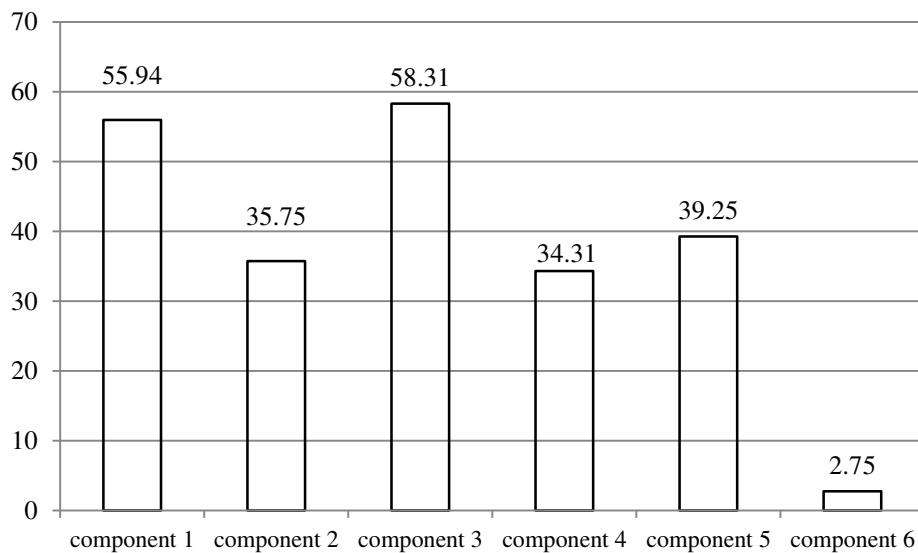


Figure 1: Level of transparency of group 1 banks (largest banks) of the information components at the beginning of 2015

Source: created by author

Analysis of the transparency of individual banks is represented in *Table 1*.

Table 1

Assessment of transparency of individual banks of the information components at the beginning of 2015

| Banks | Compo-nent 1 | Compo-nent 2 | Compo-nent 3 | Compo-nent 4 | Compo-nent 5 | Compo-nent 6 | Overall Rating |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| Privatbank | 55 | 0 | 55 | 38 | 38 | 0 | 31,00 |
| Ukreksimbank | 60 | 29 | 52 | 33 | 38 | 0 | 35,33 |
| Oschadbank | 60 | 0 | 67 | 48 | 44 | 0 | 36,50 |
| Prominvestbank | 70 | 14 | 73 | 33 | 38 | 11 | 39,83 |
| Sberbank Russii | 75 | 43 | 64 | 33 | 38 | 0 | 42,17 |
| Ukrsocbank | 70 | 86 | 64 | 43 | 44 | 0 | 51,17 |
| Raiffeisen Bank Aval | 60 | 57 | 61 | 38 | 38 | 11 | 44,17 |
| Alfa-Bank | 75 | 86 | 61 | 48 | 56 | 22 | 58,00 |
| VTB Bank | 55 | 29 | 58 | 38 | 44 | 0 | 37,33 |
| Bank Financi i Credit | 30 | 14 | 61 | 29 | 19 | 0 | 25,50 |
| First Ukrainian International Bank | 50 | 43 | 61 | 33 | 63 | 0 | 41,67 |
| Ukrsibbank | 55 | 14 | 61 | 29 | 31 | 0 | 31,67 |
| OTP Bank | 30 | 29 | 61 | 29 | 50 | 0 | 33,17 |
| Ukrgazbank | 55 | 57 | 64 | 48 | 56 | 0 | 46,67 |
| Delta Bank | 55 | 57 | 43 | 24 | 0 | 0 | 29,83 |
| Nadra Bank | 40 | 14 | 27 | 5 | 31 | 0 | 19,50 |

Source: created by author

Let us summarize the results of research and construct a sequence by rating of the banks information transparency. As *Table 1* illustrates, the most transparent information banks include Alfa-Bank, Ukrsotsbank, Ukrgasbank, Raiffeisen Bank Aval, Sberbank of Russia, First Ukrainian International Bank and Prominvestbank. These banks provide relatively complete information on their websites in different directions.

Less informative are banks such as Bank "Nadra", "Financi i Credit", "Privatbank" and "Delta Bank". The last bank mentioned has not posted online financial information for 2014 at the time of analysis, which would result into it being useless or excluded from the sample. However, one of the purposes of our research was to show possible relationship of the information provided by banks and their financial sustainability, so the assessment of financial information that bank and by Ukrreximbank was provided by the statements 2013.

Based on the results of the research of financial sustainability and transparency of banks, the graphs of assessment of these indicators' dependency were build (*Figure 2*).

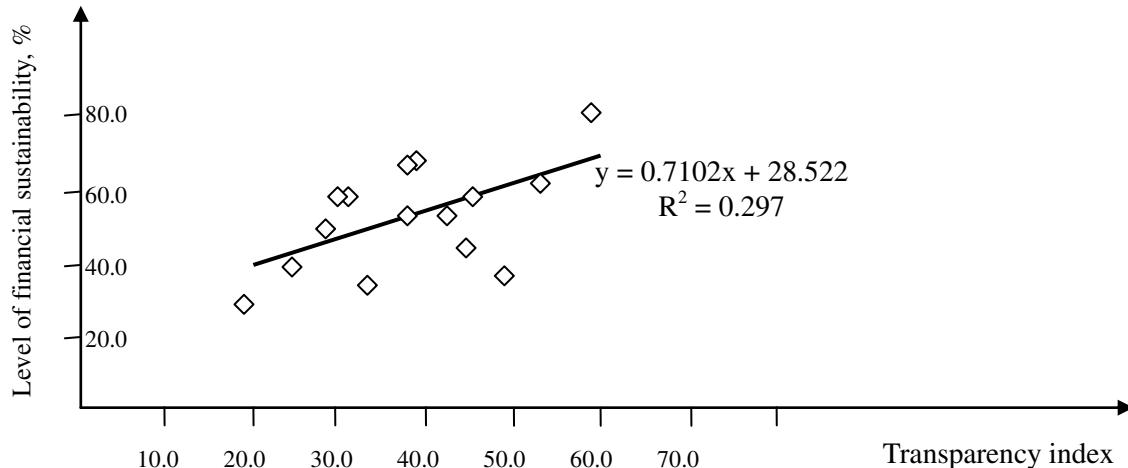


Figure 2: Dependence on financial sustainability of the banking transparency

Source: created by author

According to data provided in *Figure 2*, there is a direct connection between indicators of financial sustainability and transparency. The density of communication $R^2 = 0.3$ can be explained by the fact that information asymmetry is not the only factor affecting the financial sustainability of banks (*Figure 3*).

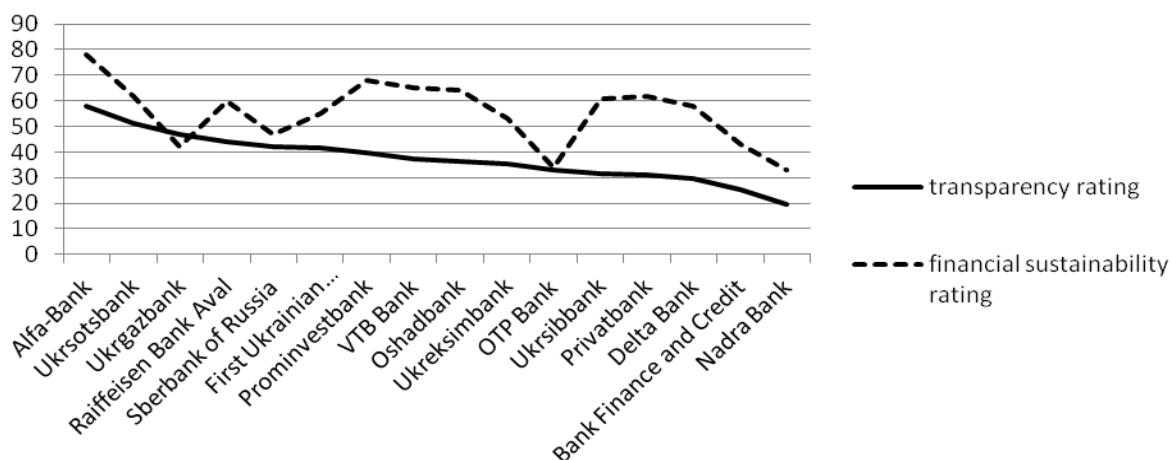


Figure 3: Synthesis assessments of financial sustainability and transparency of the largest banks in Ukraine at the beginning of 2015

Source: created by author

For example, banks such as Ukrgasbank, Sberbank of Russia and OTP Bank, despite the high level of transparency of their activities, have low levels of financial sustainability. It is reasonable to make factor analysis of the impact on the financial sustainability of banks deeper, considering the transparency of their activities as one of the factors. Recommended methodical approach of assessing the level of transparency of banks can be used to develop strategic directions for the bank as a tool for risk-management to improve standards for evaluating performance; in marketing policy, banks are to form loyal relationship with customers and to restore confidence to banks and the banking system as a whole.

DISCUSSION AND CONCLUSION

One of the facts that influenced the need to study the impact of asymmetric information on the banking market development is the false data between potential or actual customer service and the bank. The customer cannot be confident in the financial sustainability of the bank, its transparency in service delivery, so that one must have certain professional knowledge and skills of banking business. On the other hand, limited by its experience bank may make wrong decisions or pursue only their own commercial purposes. As a result, information asymmetry leads to credit, operational, market and other risks. Defaults, problem assets, improperly performed obligations, bank failures, speculation and fraud. These and other are consequences of asymmetric information in the banking market.

We should emphasize that information asymmetry leads to a decline in economic activity, especially during the financial crisis. Depending on the level of information asymmetry, negative effects may occur in sub-optimal allocation of resources, inability to establish market balance and in the deterioration of financial sustainability of market participants.

As a result of comparison of experience of evaluating banks' financial sustainability the following common features were identified: incorporation of banking risks; the combination of analysis and assessment of the current financial condition of banks with a forecast for the future; financial performance and analysis of the regulatory activity to banks' failure. Banking supervision is not limited to using the certain system of assessment, as any of them do not accurately identify crisis and predict future bankruptcy. Creating an effective system of assessment of financial sustainability of banks has become an important part of the regulatory policy of the central bank, aimed at increasing transparency.

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FISCAL REFORMING OF PUBLIC FINANCES

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Abstract: The paper reveals the most important rules, regulations and changes at the fiscal reform and development of public finances. The study investigates fiscal rules and regulations as an institution of public finances in the context of national institutional environment. The research analyzes the mechanisms of implementation through reforms and structure relationship and interaction between the subjects of public finances. It is also of paramount importance aspect of institutional reform its decisive role even in comparison with fiscal policy that can be successful in terms of public finance goals. The paper substantiates the necessity of state in fiscal reform of public finances, determines economic development fiscal adjustment means and offers tools for implementation of fiscal policy.

Keywords: Fiscal rules and standards, fiscal policy, fiscal regulation, public finance, reforms, institutions, institutional environment

INTRODUCTION

Reform of public finances is accompanied by the introduction of new and improvement of existing fiscal institutions, which help to reduce public spending, maintaining a favorable climate for investment and competitiveness of the national economy. However, reform processes involving high transaction costs associated with insufficient rational use of public funds. In our view, this is largely due to the lack of adequate understanding and practical implementation of subordination of fiscal institutions and the institutional structure of the national economy. It is about the ability of state institutions to implement new public finance reform aimed at innovative modernization of the Ukrainian economy. We considered the activities of state institutions in the light of the theory of public finance, which includes such world-renowned economists as J. Buchanan, K. Wicksell, K. Arrow, R. Coase, R. Musgrave, etc. In particular, J. Buchanan described the K. Wicksell contribution to the traditional theory of public finance as follows: "Wicksell recognized the need to consider that the institutional framework through which collective decisions are taken and pay serious attention to the rules. He clearly realized that only by changing the rules, we can expect changes in the performance of the system" [2, p. 23].

Public finance reform strategy should be based primarily on building institutional macroeconomic environment of formation of market economy institutions in general and fiscal institutions in particular. During institutions, according to the theory of institutionalism, it should be understood as a set of rules and regulations, and their implementation mechanisms which provide an acceptable level of budgetary, financial, industrial, social stability and the emerging market economy framework that ensure the stability of the financial system for micro and macro level.

MATERIALS AND METHODS

Theoretical and methodological basis of research is general scientific and special methods of scientific knowledge. In order to disclosure the nature and causes of macroeconomic stability of public finances, highlighting the theoretical and methodological principles of research of fiscal reform and adjustment have been applied systematic, historical and comparative-typological methods of economic research; methods of abstraction, analysis and synthesis, used in the comparative analysis investigated the nature and structure of institutional mechanism of fiscal policy, as well as when comparing fiscal rules and regulations in the countries with developed market and transition economies; economic and statistical analysis and spreadsheet methods revealed the specific fiscal reform of public finances in the Ukrainian economy. Processing of information materials are carried by modern information technology and applications. Information base of research is laws and regulations of Ukraine, official statistics of the

Ministry of Finance of Ukraine, the State Statistics Service of Ukraine; monographs and scientific publications of foreign and domestic researchers.

RESULTS

Modern economic realities strongly suggest that the construction of market-oriented model requires scientific study ways of reforming the public finance system. State objectively forced to actively use the redistribution of financial resources for the social security of the population, financing of public goods, social sphere, administration and defense. His direct realization is focused on the impact of fiscal institutions in identifying areas of transformation of the real sector and macroeconomic regulation of the financial system, where the formation and allocation of appropriate resources and services. It is through the government macroeconomic regulation can actually provide effective motivation of fiscal institutions, improve the stability of public finances by reducing susceptibility to excessive budget deficit financing, as well as search for new solutions to the problems with the budget deficit and public debt.

Fiscal institutions play an important role in the reform of public finances. Their mission is to provide state of optimal fiscal policy to the public in order to increase its effectiveness. As regulators of fiscal relations, free from the influence of certain political forces, control centers of the budget process, the formation and distribution of funds of public finance national fiscal institutions contribute to the functioning of the new anti-crisis mechanisms of the national economy. These include norms and rules of formation fiscal space directions of its expansion in the context of increasing revenues, optimizing costs, reducing the debt burden on the public finance sector. That is why the formation and functioning of effective fiscal institutions at the macroeconomic level should be seen as one of the key vectors of achieving stability of public finances. Building the more effective fiscal institutions requires confidence in them by economic agents. Otherwise, the level of tax expenses and administration and tax control will continue to grow. Therefore, the development of fiscal institutions in Ukraine requires serious effort and expense necessary to ensure effective operation, promotion of fiscal institutions and overcoming the negative reaction of the majority.

The state should be the central subject of the process of reform of public finance and fiscal institutions and its role not only complicated but also qualitatively transformed in terms of institutional change. Ensuring institutional conditions for sustainable long-term economic growth through public funds possible through institutional intensification, strengthening integrative interaction and complementarity of all the institutions whose development will strengthen credibility to the state. The state provides development, implementation and monitoring institutions through the mechanism of coercion and market and through institutional competition. Elimination of state as coordination center of institutional change leads to a reduction of complementarity of the institutional system. Aspiration speeds up the reform of public finance by borrowing or copying of more developed institutions leads to negative developments in the socio-economic system of the state, and the poor quality of the legal and regulatory framework, lack of necessary regulations, regular amendments to the Tax Codex will lead to further growth of the shadow economy and tax revenue lost.

State representatives in the interpretation of the theory of public finance is structured tiered system in which a national level is "center" to the lower levels that under "pure federalism" are "enterprises" producing public goods. The state provides these "businesses" their services in the form of legislation and supports their activities financially and materially by passing them through different mechanisms a share of tax revenue the state treasury. Socially beneficial and effective means to stimulate adequate decision-making officials in the provision of these services are fiscal rules and independent fiscal standards and institutions. The introduction of fiscal rules and standards became the primary response of the developed countries to the growth of public debt as a result of excessive propensity of governments to finance the budget deficit.

Fiscal rules and standards are legislatively limited size limit public debt and budget deficit, determining the debt ceiling (limit public debt as a percentage of GDP), limited structural component of the deficit, determining order to balance the budget over the economic cycle and

so on. In addition, fiscal rules usually include the conditions under which permitted deviation from established limits and allowable size of deviation. The use of fiscal rules and standards showed that they limit the flexibility of fiscal policy instruments. Thus, during the crisis, governments, implementing anti-cyclical measures significantly stepped up government borrowing, despite the limitations that entailed the deployment of the crisis of sovereign debt in most developed countries. Insufficient effectiveness of fiscal rules and standards and the need to prevent unwanted manifestations of excessive government discretion in fiscal space, while preserving their flexibility in responding to unexpected challenges and budgetary compliance obligations, makes the establishment and operation of fiscal institutions.

To our mind, one of the factors of state disorder in the face of economic problems is the inadequacy of the dominant view of the functioning of fiscal institutions and their impact on public finance reform. In recent years, the study of these issues occurred taking into account effects of the global financial crisis of 2008-2009, out of it, with a focus on the difficulties and risks. Institutional reform of public finance system designed to create an adequate institutional environment, institutional structures and provide clear institutional guarantees, which would exclude the likelihood of misuse of powers in the system of public finance. The components of the institutional structure are the fiscal institutions from the standpoint of financial science, carrying out fiscal functions of the state.

In order to reform public finance system and ensuring the stability of the institutional environment offer to enter into categories of the financial theory definition of "institutional organization sustainability of public finances" as a system of state institutes and institutions, which determine the conditions and directions of motion centralized fund of resources for the implementation of the state of its functions to ensure such stability. In this context, the classification and hierarchy of institutions and institutions must meet economic order in the country, which is an evolving system that determines the institutional order, institutional environment and institutional framework of public finances (*Figure 1*) the creation of this hierarchy is intended to clarify and bring to order the terminology used for describing institutional organization of the economy, financial system, public finances and more.

Under the economic order mostly economists understand set of rules governing the scope and structure of the set of related agencies [7]. Forming economic order related to the problem of coordination of economic difficulty in the world with a wide variety of institutions and organizations. In the works of its founder Walter Eucken problem of formation is considered in coordinating existing institutions, which, in turn, are formed depending on the historical and national laws due to economic evolution [10].

Economic order is characterized by the constant structure of institutions, allowing on the one hand, and on the other to explain the features of its institutional evolution. It may be noted that it "... has a large number of other orders, which together create and regulate economic activity" [1, p. 13]. At the same time main problem is that it includes a variety of institutions and requires certain levels of analysis, including formal and informal, internal and external, local, national and international, etc., e.g. institutional configuration is complex and is difficult to conduct a thorough analysis. Currently identifying regulations in public institutions can provide relevant (appropriate, those relating to the case) explain to financial behavior and predict trends in the evolution of economic institutions, organizations and systems. The above allows to speak about institutional order of public finances and its system component that defines the fundamental regulations (long-term stable relationships between institutions that consisted evolutionary) by financing activities. As noted by P. Berger and T. Luckmann [3], the institutions always have a history,-a product which they are.

Thus, the institutional order of public finance is a system that evolves and passes in its development certain stages, and this process associated with the actions of state institutions as players in the space, delineated institutional environment, because, as D. North writes, "... The rules of the game is the environment, infrastructure design element in the intended economic system, and the company (business entity) are the institutional changes producers, e.g. their role is, of course, to initiate "anti-peace" [8, p. 14]". The institutional environment ensures sustainability of public finances as a set of formal rules (political, legal and economic) and informal rules that shape the conditions for the operation of public finance, structuring them and is a fundamental prerequisite for ensuring the sustainability of finances.

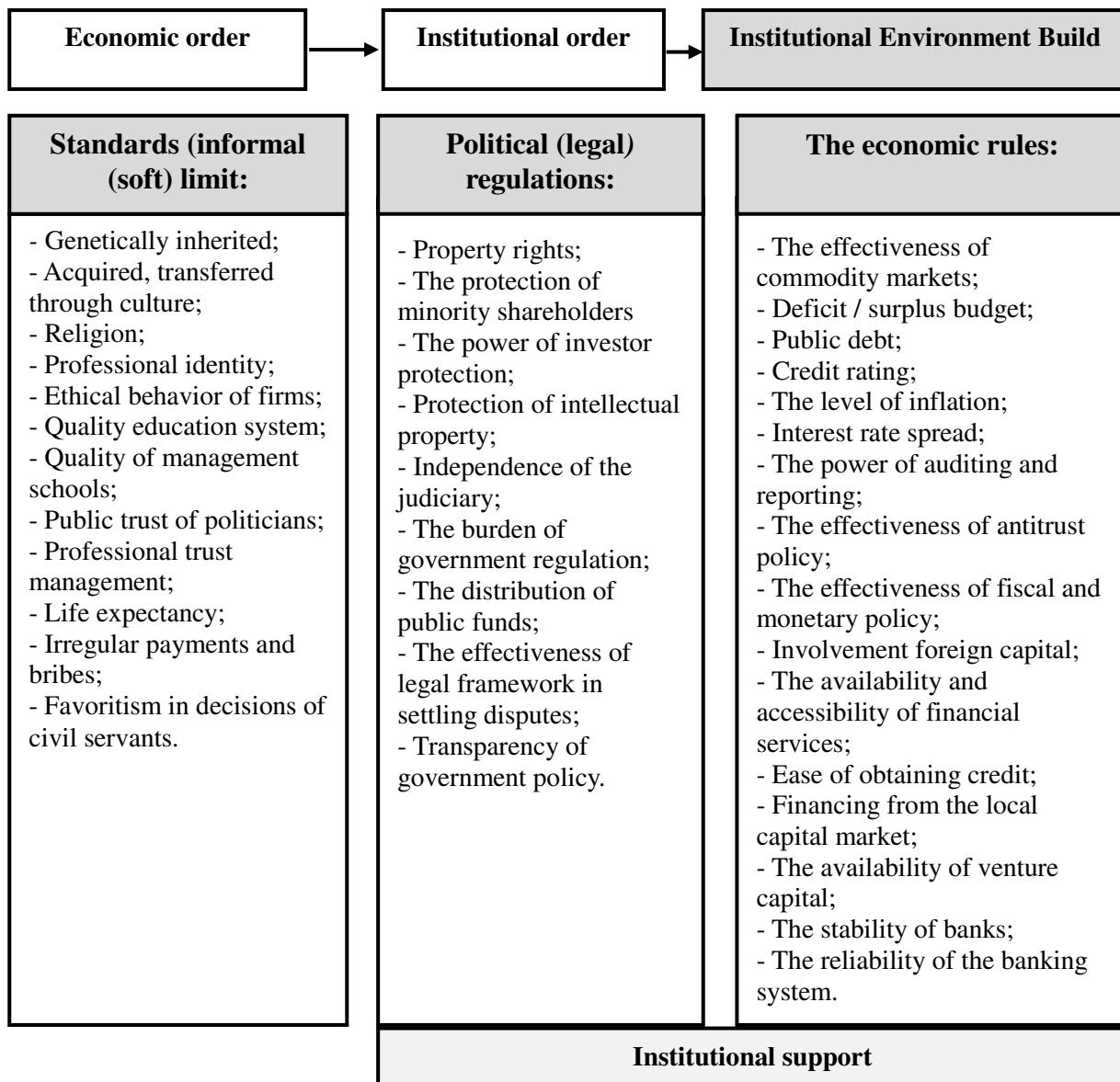


Figure 1: Hierarchy of institutional organization ensure sustainability of public finances
Source: created by author

The development of the institutional environment in the system of public finance, including measures aimed particularly at improving the institutional component of state financial activity in Ukraine and its implementation will contribute to government programs and projects. Strategy of economic and social development of Ukraine for 2004-2015: The program of investment and innovation activity in Ukraine; Program "Investment Image of Ukraine"; State Program of development of investment activity in 2011-2015; Financial Sector Development Strategy by 2015; The concept of the state target program of capital markets modernization in Ukraine; The concept of national security in the financial sector; Public Finance Modernization Project.

As a whole this study makes it possible to conclude that the central challenge tackling the problem of sustainability of public finances is the need to create such institutional arrangements that would provide for reforming inefficient but stable institutions that emerged in the early years of Ukraine's independence unprepared to the social and economic economy and create the conditions for change in direction soft limit active perception of ongoing social change. It is actualized in terms of growth of state financial risks as a result of inefficiency of the process of institutional building. Therefore, it is reasonable definition of institutional efficiency of public finances arising from specific tasks of market reforms in Ukraine. Its purpose is to promote the development of effective public finances, that the economy can provide the

necessary financial resources and support social development and its integration into the global financial space without threats to national interests and economic security of Ukraine.

In these circumstances, reform of public finances can show up through structural changes and modernization of institutions. In fact institutions are not just "rules" that impose restrictions on the allowable range of actions, as D. North emphasized, their purpose are to create the opportunity for stable and efficient mechanisms for selection decisions on any conflicts of interest [9]. Modernization of institutions of public finance is fundamentally different to how the chosen system is able to provide the balance of interests in real time.

The above allows defining the institutional effectiveness of public finances as a composite index that is based on qualitative and quantitative indicators of institutional units of the general government and reflects the institutional environment in which they operate. At the same time, by the Frolov theorem "the systemic effectiveness of institutions are higher, the more it maximizes and minimizes the total specific transaction costs in the economy" [6, p. 17]. Thus, according to H. Demsetz, in determining the effectiveness of institutions should not compare the effectiveness of existing institutions with some ideal [5].

An important condition for ensuring the effectiveness of the institutional environment reform of public finance system is the ability of institutions to provide the general government opposition to the influence of exogenous factors (imbalances shocks) because of stability towards endogenous factors supporting its operation in dynamic equilibrium as well as fulfilling their functions and ensure certain parameters entire financial system and the economy as a whole. So this gives us reason to believe that the efficiency criteria of public finances affecting not only market environment as institutional, i.e. a set of rules and regulations in the operation of institutional units of the general government and the interaction between them. This prerequisite efficiency of public finances of any country is stability of institutions. This aspect of the problem noted Nobel laureate James Buchanan (1986) in his research "The constitution of economic policy". Thus, in his view, the economy should be created by following the rules that will remain stable even after several generations change [4, p. 112-113]. However, if the parties come to an agreement and are beginning to understand that they would be profitable, there were always institutional changes. If an agent at any given time is not interested in changing the existing institutions, there is such a thing as an institutional equilibrium.

In developed economies reforming the systems of public finances defined development the path (path dependence), that is, institutions that were formed in the economy as a model of reform and financial policies. On the one hand, it contributes to stable game rules; on the other it makes it difficult to change this policy by external factors. Currently, emerging markets are characterized by weak formal rules, but strong informal rules that often serve as the first. Their "path of development" has not yet formed through the change of fiscal institutions (*Table 1*). Thus, the public finances for 20 years have gone from the natural establishment of the period of initial accumulation of capital to modern mechanism with established fiscal institutions and dynamic institutional environment. However, as for the public finances of other countries, it is an extremely important achievement of sustainability.

Table 1
**The development of fiscal rules of the institutional environment
of public finance**

| Rules and regulations (standards) | Developed countries | Developing countries |
|--|---------------------|----------------------|
| The stability of the tax legislation | Strong | Weak |
| The low level of tax expenditures | Strong | Weak |
| Fiscal transparency | Strong | Weak |
| The high economic efficiency of the tax authorities | Strong | Very weak |
| Informal rules. Partnerships between tax authorities and taxpayers | Strong | Weak |

Source: compiled by author

The institutional environment includes the output, basic, pertinent links between participants of fiscal institutions that provide integration environment in the process of reforming and development of public finances. It is formed in the presence of a clearly defined set of objective financial and economic relations, which, in turn, affect the dominant financial system of fiscal institutions. This means that the institutional component of fiscal institutions perhaps makes the greatest impact on the reform and development of public finances, the perception of the new fiscal rules and standards through the use of the institutional features of public finances, which enable full use of its financial capital.

DISCUSSION AND CONCLUSIONS

Thus, the conceptual analysis of the dynamics of quality of fiscal institutions and the current state of the institutional environment makes it possible to identify the main directions of reforming and development of public finances.

1. Public finances model reforming needs to build fiscal institutions in the process of continuous improvement of the institutional environment, as institutional organization of public finances in a state of constant change of formal rules and informal norms that shape the conditions for the operation of public finances and their structuring as a fundamental prerequisite for the stability of finance.

2. The reform and development of public finances should take place towards strengthening organized financial and economic relations and transparent fiscal policies that help to minimize institutional risks and create an enabling institutional environment. Further its formation requires state development, implementation and monitoring of new rules effective functioning fiscal institutions, the most important function is to reduce the uncertainty of public finances to optimize the development of the national economy.

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REGULATION OF INTERNATIONAL TOURIST MARKET WITH THE HELP OF INFORMATION TECHNOLOGIES

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Abstract: *The article considers the notion of Information technologies, relation between Information technologies and international tourist market as exemplified by tourist enterprise, as well as types of Information technologies. We have studied the influence of Information technologies on development of international tourist market which is stimulated by Internet technologies. For successful activity of a company it is not enough to create a web-site; first it should be well thought if this company can create in the Internet real working business case and what role is provided for Internet in the business strategy in general. Electronic commerce requires applying of new strategies when orders are allocated, in the sphere of advertising and clients' service.*

Keywords: *Information technologies, Internet-based technology, international tourist market, Internet booking, tourists, electronic commerce, tourism services, web-site, Internet resources, travel company, marketing, cost effectiveness, marketing*

INTRODUCTION

At the moment social and economic development of a state, region and the world as a whole depend considerably on technologic progress. Implementation of the newest achievements of the scientific thought, perfection of technical and management process, using of new ways, methods, opportunities for solution of specific economic problems for a long time have been the main essence of economic activity in the developed, postindustrial countries, which are the core of modern world economy. Such an innovative model of development has proven successfully, but its implementation demands specific perception of environment based on creative approach to economic activity and provides for constant search for unconventional decisions, release from any dogmas and restrictions. Training of such creative perception of environment, its formation in the professional community is an important problem, solution of which is related to increase general level of technological development, computerization, and information literacy of population. This is exactly what justifies researches in the topical area of international tourism market regulation with the help of Information technologies [1, p. 265].

MATERIALS AND METHODS

In the second half of the 20th century world tourism industry has faced changes, which were the key for directions of modern development. These changes are so revolutionary that allow speaking about transformation of the nature of tourism business. The essential component of modern tourism business is information communication and in particular global distribution systems. Toughening of requirements for quality and variety of tourism services, expansion of travel and travelers reach, changes of consumer preferences in the direction of increase of interest to educational, sport, extreme, ethnical tourism lead to the necessity of implementation of the newest technological and management innovations [3, p. 45]. Purposeful development of international tourist market is an important factor of transformation of national economy, tool of its integration to the system of world economic relations, means of diversification of foreign economic activity and it leads to increase of productivity of information, scientific and technologic, as well as cultural contacts. It requires unconventional innovative approaches to organization of tourism management at the level of state and entrepreneurial businesses. Among the world states tourism policy goals but for the main ones: planning, coordination, regulation of tourism development and marketing of national tourist product, stimulating of innovative processes in the tourism holds an important place at the moment. Formation of attractive investment climate for actualization of innovative projects, international scientific and technological cooperation

aiming for getting acquainted with best foreign practices and implementation of the newest technologies in various spheres of national tourism industry is getting vital. Traditional models of state management of tourism which have proven to be effective in the leading tourist countries of the world are being modified to intensify innovative processes in the tourism, stimulation of creative approach to solution of current problems by travel companies, provision of wider space for travel companies for actualization of their own unconventional strategies of development [5, p. 53].

Most of travel companies at the tourist market use Internet technologies for simplification of operating inner process of their activity. Business processes based on Information technologies and interconnections with other companies may help companies to achieve new levels of competitiveness and efficiency but at the same time they cause following management problems: 1) Electronic commerce and electronic business require complete change of way of thinking that is the necessity for new organization approaches and management processes arises. 2) Search for effective model of Internet business.

In *Table 1* we have enlisted income and expenditure items, which are mostly used, when analyzing at implementation process of Information technologies.

Table 1
Costs and benefits related to implementation of Information technologies

| <i>Costs</i> | <i>Tangible benefits</i> | <i>Intangible benefits</i> |
|--------------------------------------|---|--|
| Hardware | Efficiency improving | Improvement of organization planning |
| Telecommunication | Lower operating costs | Resource control improvement |
| Software | Staff reduction | Increased organization flexibility |
| Systems software | Lower computer costs | Increased information actuality |
| Reorganization of business processes | Lower costs for external suppliers | Increased volume of information |
| Service | Lower level of rising scale of expenditures | Increased satisfaction with labor products |
| Staff | Lower equipment investments | Improvement of decision making techniques |
| | Increased profitability | Improved routine of work |
| | Lower communication line costs | Increased level of customer satisfaction |
| | Increase in labour productivity | Improved corporate identity |

Source: created by author

Tangible benefits can be calculated and instilled in monetary terms. Intangible benefits, which comprise increased level of customer satisfaction or improvement of decision making techniques can't be instilled in terms of quantity but in the long run these benefits are also getting quantitative assessment.

RESULTS

In case of applying tools of financial analysis to Information technologies a lot of problems arise. Financial models do not contain stating of risks and uncertainty at estimating of costs and expected benefits. Costs and benefits do not arise simultaneously. Costs are material in nature and are quite predictable; at the same time benefits make themselves felt in course of time and are often of intangible nature. It should be taken into account that due to high rate of technological changes in Information technologies based on computer application most of such systems go out of date within 5-8 years. That is why implementation of Information technologies requires well thought process of changes management. For travel companies to actually start using implementation of Information technologies as an arrangement for efficiency improvement of their work attention should be paid to areas of concern in this process. As a rule it is project, data, costs and operations (functioning). Data contained in the information systems should be accurate and compatible. Information should be trustworthy, unequivocal, complete and accessible. Costs should stay within the budget of company at the stage of projecting, as well as at the stage of operation and maintaining.

Thus, the main reasons for failure of implementation of Information technologies are: insufficient participation of users in the process of development and implementation; insufficient support of the manager; high difficulty level; and mismanagement of implementation process. Relations between project participants are extremely important aspect. Managerial support and control of implementation process is also necessary and IT implementation of systems itself should be conducted in the form of planned organization changes.

DISCUSSION AND CONCLUSION

In general key factors of success of company activity for improvement of international tourist market may be considered:

1. Attitude of the company staff to work in the sphere of tourism as to a complicated production process;
2. Availability of own technologies according to which the production process as a whole is divided into elementary components which have real scheme of completing and ways of automation with the help of Information technologies;
3. Personal responsibility of each particular employee for one or another area of work and availability of trained highly qualified employees;
4. Ability to carry out competitive activity (ability to keep leading position);
5. Effective advertising (availability of own web-site, publishing of their own catalogues, brochures, magazines and other promotional products).

CONCLUSIONS

1. Innovative processes are determinative for development of international tourism. On that basis we consider to be currently important research of ways and means of overriding of technological underdevelopment in comparison with accelerate innovative development of leading countries of international tourist market.
2. Travel companies should implement advanced technologies of services provision, new methods of management, organization, motivation and control according to constantly changing requirements of external competitive environment.
3. Development of innovative processes in the tourism sphere at the moment is defined by extensive implementation of Information technologies.
4. The business process itself should be analyzed and restructured, taking into account possible changes in the structure of organization, in the scheme of information system support, methods of management and business strategy
5. For successful activity of a company it is not enough to create a web-site; first it should be well thought if company can create in the Internet real working business and what role is provided for Internet in the business strategy in general. Electronic commerce requires applying of new strategies when orders are allocated, in the sphere of advertising and clients' service.

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THE MAIN FEATURES OF MARKET DEMAND

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Abstract: The article describes a research study of market demand processes. Greater attention has been paid to the concept of good and utility assessment. Offered to publication material may give a wider and more systematic understanding of the nature on the assessment of the utility of good. Scientifically justified utility assessment of animal feed and human food can be assisted by means of taking into account the balance factor of composing nutrients.

Keywords: market, demand, value, good, utility

INTRODUCTION

The significance of the theme is defined by the market demand trends and the necessity to have a more accurate assessment of the market demand constituents. In the situation of globalized market, there is an ever increasing need to have the assessment system of the elements constituting the market demand which is internationally recognized.

The *object of research*: microeconomics.

The *subject of research*: values, goods, utilities.

The author of the research explored various on the theories of market demand elements and described his own vision of trends in which needs may further develop. The author used the following methods of scientific research: analysis, synthesis, formal logic, generalization, logical reasoning.

VALUES

When *value* is understood as an economic category, it may be described in terms of usable or unusable. Values have many classifications. Erik Allardt (1995) classified values as: 1) learned values; 2) general values; 3) permanent values; 4) goal-related values; 5) choice based values.

Understanding of the concept of value helps to make a choice. Some values, learnt from the environment, may be common (religion, etc.) or permanent (honesty, etc.). The individuals' choices are influenced by their set of values consciously and unconsciously. At the same time, the opposite relationship is also true, making choices creates values.

Charles W. Morris (Schumann, 1992) developed his system of values based on three dimensions related to different cultures:

- *Dionysian* dimension expressed in the desire to enjoy life and free oneself from the need to create pressure.
- *Promethean* dimension expressed in ambition to have influence on the world and change the established order.
- *Buddhistical* dimension manifested as a tendency to concentrate oneself on oneself and to repress one's desires.

GOODS

In the context of this work goods will be understood as economic goods. A **Good** is everything used directly and indirectly to satisfy certain human desires. For merchandise, services, events, fruits of labour (work products), rights, in short: things or effects to become goods, the following conditions should be met: 1) there should be a need in them; 2) they should have features making them suitable for a specific wanted satisfaction; 3) consumers should be aware of the link between the desires they wish to satisfy and the features of a thing they want to acquire; 4) there should be opportunities that will allow managing and handling the acquired goods. Things are not goods yet, or are no longer goods, if at least one of the above mentioned conditions is not met. Goods can be classified according to several criteria.

According to the criterion of origin, i.e. whether the thing or effect is a product of human activity or not, goods may be: 1) **free goods** and 2) **economic goods**.

Free goods are the so called nature's bounty, which are obtainable without any effort or return value in unlimited quantities (e.g. air, daylight, solar energy, etc.). In most cases, such goods are not in anybody's possession, so they are also known as universal goods. With the growth of population, many such earlier free goods turned into economic goods, for instance, land. Even in the late 19th century, anyone willing could get it for free in uninhabited or sparsely populated areas. In certain places, such good as water in the desert, which elsewhere is universally free, is an expensive good because it exists in very limited quantities. Due to environmental pollution water and air are no longer free goods, even in places where recently they were still free goods, e.g. in the industrial zones, especially where there are poor natural air exchange conditions, such as in hollows and closed depressions. Water in the water supply networks for residential environment is also an economic good because its provision is maintained through economic activity.

Not all things in the world may become goods, as they may be useless materials for satisfaction of people's needs, such as barren rocks, desert sand and icebergs. With time, some of them may become goods. For instance, through the development of certain technologies, it may become possible to transport icebergs to arid coasts and use them for provision of high-quality drinking water, of course, if in total such water extraction technology will become sufficiently commercially cheap and will correspond to the consumers' purchasing power.

Economic goods are goods produced by way of use of other goods or labour skills (labour is also a kind of goods). They exist in limited quantities as much as produced. According to the criteria of utilizing, goods are divided into: 1) **consumer goods** and 2) **producer goods**.

Consumer goods are those that can directly satisfy customer needs, such as food products, clothing, etc. *Carl Menger* (1840-1921) called them the first or lowest order goods. They are also immediate goods.

Producer goods (intermediate goods) are various means of production, materials, semi-finished products, tools, technology, industrial buildings and structures, land, etc. They are used for manufacturing the consumer goods and for this reason they are intermediate goods. Producer goods can be divided according to different degrees: depending on how far they stand from transformation into consumer goods they are classified as goods of 1, 2, 3, etc. order. The need in goods is satisfied in the production process. Depending on the period during which goods may be used they are divided into: 1) non-durable or soft goods; 2) durable or hard goods; 3) consumable goods; 4) inconsumable goods.

Durable and non-durable goods are consumable goods. Such consumer goods as food, clothes and other merchandise, and such producer goods as input materials, technology, fuel, etc. are **consumable goods**.

Land plots are **inconsumable goods**, their value can vary during the period of usage, but they never depreciate. According to the external form, goods may be divided into: 1) objects (corporeal things); 2) personal services (used for indirect satisfaction of demands); 3) legal relations.

Human working abilities, expertise and ideas are also considered to be goods. Legal and economic relations are also goods, e.g. customer base, goodwill of the company (image), patents, copyrights, inheritance rights, etc. Goods concerning legal relationship do not include corporeal goods or material goods, but may include, for example, one's word of honour, civil condition, etc. According to the nature of goods they may be divided into: 1) articles, they have material, physical form; 2) services; they have non-material, incorporeal form.

According to the fields of utilization goods may be divided into: 1) material (tangible) goods and 2) non-material (intangible) goods.

Material (tangible) goods are usable material things and things related to their management, application and benefit obtaining rights.

Non material (intangible) goods are those that affect the individual's abilities to develop. Intangible goods are divided into: 1) internal goods and 2) external goods.

Internal intangible goods are personal characteristics, human faculties (for example, business acumen, professional excellence, etc.).

External intangible goods are reputation, human social connections (friends, neighbours, relatives, enemies, etc.). Reputation is not necessarily dependent on the individual, but it is certainly dependent on the surrounding people beliefs about the person.

According to the criterion of divisibility goods may be:

- **individual consumption goods**, which may be divided into sufficiently small units and sold to individual consumers;

- **public goods**, which are indivisible and cannot be sold to individual consumers.

According to accessibility, goods can be divided into:

- further **non-transferable goods** such as human abilities, trust-based business communications, favourable climatic conditions, air, privileges; etc.

- further **transferable goods**, which are all other goods.

According to customer's attitude goods may be divided into:

- **neutral goods**, which are goods against which a consumer does not feel any particular dislike or liking.

- **demerit goods**, e.g. cigarettes for a non-smoker, or for the users of other tobacco products, such as chewing or snuffing tobacco.

- **merit goods**, which are goods liked and wanted by substantially all customers (these are the majority of goods).

According to ownership goods may be divided into:

- **Private personal goods**, which are goods for personal usage; they belong to and may be consumed by one individual only, they cannot be consumed by several individuals at once and the same time, e.g. food, clothing, toiletries, etc.

- **Individual public goods** are goods that can be used simultaneously by several individuals or even groups of individuals, although the number of users may be limited to some extent, e.g. passengers of various public transport vehicles, the audience of cultural events, etc.

- **Collective public goods** are goods used by an unlimited number of consumers, e.g. natural light and street lighting, public parks, roads, etc.). Such goods are quite often for free.

Taking into account A. Marshall (1993) theory of wealth, goods can be represented in the diagram of *Figure 1*.

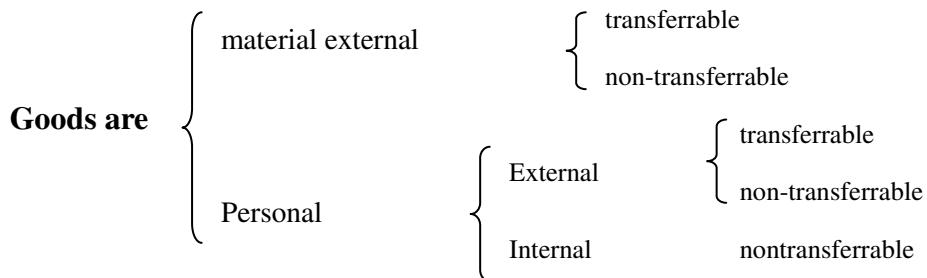


Figure 1: Classification of goods according to A. Marshall

Source: Marshall (1993)

The benchmark for goods evaluation is their value or utility.

UTILITY

Utility or usefulness is the main feature of goods. The Swiss mathematician Daniel Bernoulli (1700-1782) was the first to assert that consumers measure the utility of a good according to their individual criteria, and the first to introduce the concept of "utility" into science (Schumann, 2003).

We shall understand **utility** here as a feeling of satisfaction that a consumer obtains through utilizing a certain good. Utility is a common feature of all goods. This is a subjective value and each consumer evaluates a good in their own way.

Economic theory assumes that competent consumers, taking into account their budget and the prices of goods as economic constraints, will try to maximize the total good, i.e. to satisfy their unlimited wants to a possibly highest degree.

Cardinal utility: Scientific minds have argued on the question of goods utility measurement since the 19th century. German scientist marginalist Hermann Heinrich Gossen (1810-1858) considered that the utility of goods can be accurately measured by measuring satisfaction (*Genuss*) that they provide to a consumer. His views were supported by English scientist William Stanley Jevons (1835-1882), also marginalist. So the **cardinal (numerical) method** for measuring utility was proposed. According to this method the unit of quantity of economic good is compared to figures of subjective assessment (*Marie Esprit Leon Walras* (1834-1910), *Carl Menger* (1840-1921), *William S. Jevons*), (Schumann, 2003). Many 19th century cardinalist utilitarian's (from Lat. *Utilitas* "good", "benefit") considered utility to be a psychological phenomenon, which could be measured quantitatively in the same way as, for example, distance or temperature. For the unit of measurement they suggested a conditional (hypothetical) dimension of utility (util) (Schumann, 2003).

The individual cardinal assessment that resulted from a trade of goods can change (The total number of goods belonging to a consumer before and after the exchange remains the same). For instance, John and Peter: John evaluates goods in his possession in the following way: 2 oranges = 1 apple. Peter respectively evaluates 1 orange = 2 apples. Total number of each goods is 4. In the result of exchange:

John has 2 oranges: 1 orange + 1 apple + 1 apple = 1 orange + 2 apples. According to John, he has the goods with the aggregate good utility value: $1 + 2 \times 2 = 5$ good utility units.

Peter has 2 apples: 1 apple + 1 orange + 1 orange = 1apple + 2 oranges. According to his evaluation, he has the goods with the aggregate good utility value: $1 + 2 \times 2 = 5$ good utility units.

Ordinal utility: English economist and statistician *Francis Edgeworth* (1845-1926) developed another method for measuring the utility of goods (ordinal utility) differing substantially from the cardinal method. Instead of measuring the goods utility in magnitudes of the consumers' subjective assessment of their satisfaction, he measured the utility of one kind of goods by the utility of another kind of goods, by the failure cost and by the consumers' subjective preferences.

Vilfredo Pareto (1848-1923) suggested that the cardinal method of utility measurement should be supplemented or replaced by the ordinal method of measurement, i.e. by consumer choice. Among the supporters of the ordinal utility method were *J. Slutsky*, (1880-1948), *J.R. Hicks* (1904-1989) and *L. Krylov* etc. The ordinal method of the goods utility measurement had been improved and applied until 1930s. It is still not altogether forgotten today.

Goods evaluated by the ordinal method are comparable against each other, without defining the difference in the utility by a numerical value. For instance, a buyer may compare the utility of three kinds of goods as follows: $u_1 > u_2 > u_3$, which means that the utility of the third kind of goods is the lowest, but the utility of the first kind of goods is the highest. If the buyer assesses the utility of these three kinds of goods as equal, then $u_1 = u_2 = u_3$.

All the above described valuation methods are subjective. More objective methods for measuring the utility of goods will be described below.

The easiest way to determine the utility of goods (or the utility of services as goods) is by application of two alternative terms, usable or unusable. However, this approach is rather imprecise and depends on:

- objective criteria, such as women's fancy goods are unsuitable for men, Greenland Inuit do not need swimming costumes, etc.;
- subjective, psychological criteria, e.g. a representative of the European culture, not knowing what kind of meat they were offered, consumed a dish of dog meat, but having learnt what they had eaten, became sick, i.e. food, in this example was a piece of dog meat, that a moment ago had been quite edible, maybe even tasty, suddenly became disgusting and inedible. There are several more precise and more objective measurements.

More objective utility assessment can be provided by a panel of experts, e.g., the jury. Generally, experts (jury), assess a certain utility criterion according to accept grading system. This is the way how achievements in many kinds of sports, dances, and artwork are assessed, as well as the quality of beverages, confectionery, etc. Experts are not exactly lay persons and can be quite safely regarded as professionals, knowledgeable in certain fields. However, expert judgment may be affected by the expert's national characteristics, religious beliefs, etc. For instance, the Japanese value their national alcoholic drink *sake* much higher than cognac or brandy. In reference to food products and feedstuffs for animals, the main criterion of their utility is considered to be their nutritional value and in this connection a number of theories have been developed since the XIX century (Latvietis, 1986). In the Western world, in chronological order, these theories were: hay equivalent tables, evaluation according to the quantity of digestible nutrients, the system of net energy, evaluation according to the sum total of digestible substances, Scandinavian feed units system, etc.

The important point is that feed material should be not only nutritionally balanced, but it should be balanced to a certain degree, and this degree is already a qualitative indicator. All above described systems (theories) of nutritive value measurement allowed expressing the utility of a feed product (the feed value) by means of a certain equivalent (basically cardinal utility measurement), but did not take into account such feature of a particular feed material, or groups of feeding materials as the balance of nutrients. Thus all above described feed evaluation systems were not all-inclusive. Today, the high quality feed materials for productive animals and not only for them, include about 100 names. It is therefore very important to have all digestive nutrients in balance. The imbalance in just one group of digestive nutrients, e.g. in the group of micronutrient elements, may disrupt the balance in other groups of nutrients which otherwise may seem ideal, and as a result lower the feed value of a particular feed material. Scientifically justified evaluation of the utility of the cattle feed, or baby food or any other kind of food can be provided by means of feed and food **balance factor** (Rubanovskis, 1989). Better results may be achieved combining this method with expert recommendations.

The objective criteria of utility evaluation are formed by factors unrelated to human activity, e.g. climate and season change (the need in clothing and housing), human biological needs (food, water, etc.), but formation of the subjective criteria depends on human related factors, e.g. human psychology.

The range of goods utility evaluation criteria can include a lot of psychological factors, up to 80-85%, with a tendency to become more limited in the colder climate zones.

CONCLUSIONS

Widely applied utility evaluation methods are cardinal (numerical) and ordinal methods. However, these evaluations may be significantly affected by psychological factors up to 85%. Consequently, they are subjective evaluations. However, cardinal utility measurement does not provide an objective assessment of the utility of goods, and thus does not allow comparing different levels of consumer satisfaction. A more objective evaluation can be provided by expert assessments and, for instance, in case of human food and animal feed, through the assessment of their balance factor. Scientifically justified utility assessment of animal feed and human food can be assisted by means of taking into account the balance factor of composing nutrients.

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THE NEEDS AND THE NATURE OF NEEDS

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Abstract: The article describes a research study of needs and the nature of needs. The research is based on the existing market economic processes and trends and focuses on A.H. Maslow's theory of the hierarchy of needs. Generally, needs form the first link in the system "needs – value – utility". The present in-depth research of this first link may contribute to a deeper understanding of the nature of needs and values, and their rationalization may help to slow down the development of pure consumerism. Thus this research study is of a holistic nature, it starts with an overview of A.H. Maslow's hierarchical theory of needs and includes also other latest non-hierarchical theories of needs. This offered publication material may give a wider and more systematic understanding of the nature of needs and their evolutionary and revolutionary development.

Keywords: needs, the hierarchy of needs, theories of needs and the trends of development of needs, related theoretical thought

INTRODUCTION

The relevance of this theme has been proved by economic processes and trends in many countries, especially those of Eastern and Central Europe, where the effort of moving away from the mechanisms of the command economy to the market economy mechanisms has been observable over last several decades. However, these economic processes manifest certain features related to A.H. Maslow's hierarchical theory of needs. These features may be less pronounced than in a pure market economy, they may be less distinct; they expand to adjacent areas or even ascend to higher categories. Often new needs emerge as a result of economic globalization and general economic trends. Less economically developed societies only recently have not been aware of many needs, e.g. the needs related to the latest information technology development. Certain needs can be for individual consumption and at the same time for public consumption as well.

The *object of research* is microeconomics.

The *subject of research* is needs.

MATERIALS AND METHODS

The author of the research explored various hierarchical and non-hierarchical theories of needs, and described his own vision of trends in which needs may further develop. The author used the following methods of scientific research: analysis, synthesis, induction, formal logic, generalization, and logical reasoning.

All his scientific publications were reviewed by European experts.

RESULTS

In the core of human economic activity lies the endeavor to satisfy someone's needs. Human needs may be described as subjective and objective. Needs of the lower order are more objective, but the higher the order of needs is, the more subjective they become.

Private household needs can be divided according to several criteria. If we consider the needs of a household as an aggregate of needs based on basic needs, then to become demands (wants to be satisfied), the household needs may be divided into: 1) primary needs (indirect) or income (yield) and 2) secondary needs (direct) as all the rest.

Private households obtain income through the available factors of production. They offer work for which they receive payment. The higher the payment, the more secondary needs (wants) can be satisfied. Such an approach to the theory of job payment was described already in the works of F.W. Taylor (1856-1915). In his opinion the more workers produce, the

more they earn. Through satisfaction of primary needs (income generation) private households can satisfy their immediate needs, e.g. to buy clothes.

Thus, nowadays wages are used:

- to satisfy physiological, self-preservation, social recognition and self-actualization needs (*Figure 1*); the level of these needs satisfaction is affected by the standard of living, employment and other factors;
- to provide payment for labor corresponding to the state of labor market and economic situation in the country;
- to serve as monetary consideration for labor accepted in a particular company and generally corresponding to standards accepted in a particular sector of industry (according to criteria, categories, levels);
- to provide monetary consideration for labor according to the employee's contribution and the value system of a company.

If we focus our attention on the immediate needs and separate them from the aggregate of needs, then all human needs can be divided according to their features. In the best way this is shown in Abraham H. Maslow's (1908-1970) hierarchy of needs (*Figure 1*), who based his theory on the following three principles:

- the principle of the hierarchy of needs (needs arranged by the importance) in 5 levels;
- the principle deficiency of needs (the process is unlimited);
- the principle of progression (human behavior is motivated by unsatisfied needs, as soon as one need is satisfied, another need may arise and ask for satisfaction and so on).

American A. Maslow's theory is one of many theories of needs. Graphically his hierarchy of needs (1943) is usually presented in the form of a pyramid (*Figure 1*). The bottom of the pyramid is formed by basic or "pressing needs", i.e. the needs that put a human being under great pressure so important they are to be satisfied, but the higher to the top of the pyramid the less pressure a human being feels in the pursuit of needs satisfaction.

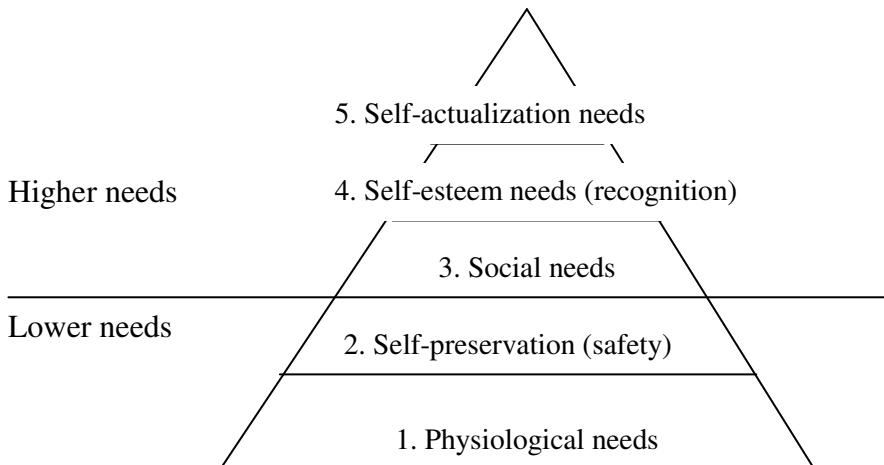


Figure 1: Abraham Maslow's hierarchy of needs

Source: Wahba and Bridgewell (1976)

Divisions between the categories of needs in the graphic presentation of Maslow's hierarchical system of needs in *Figure 1* are shown as straight lines. However, in real life these divisions may be not as clearly expressed as the needs of an individual may embrace needs from various levels, especially if these needs are directed from the bottom to the top of the pyramid. In this case we can observe the phenomenon called "the principle of twined fingers", i.e. the individual's needs as a whole may be at the second level yet, but some of the needs are already from the higher levels. The opposite order is also possible (*Figure 2*). For this reason, when a specific market situation analysis is carried out, these peculiarities should be taken into account. However, A.H. Maslow's theory of needs was criticized for certain limitations by T.R. Mitchell, M.A. Wahba and L.G. Bridgewell among others. Experiments have shown that it was not always the needs satisfaction at one level automatically excited the

needs at another level. Consequently, a strong hierarchical structure was disrupted (Wahba and Bridgewell, 1976). A. Maslow was also criticized for not taking into account personal individual differences. Therefore it deemed necessary to develop his hierarchy of needs further by focusing on personal experience of separate individuals, and emphasizing people's individual features (Lawler, 1973). Different individuals like different things, have different needs and preferences in regard to remuneration systems (Mitchell, 1978). In order to avoid these limitations A. Maslow's theory of needs was complemented with other theories.

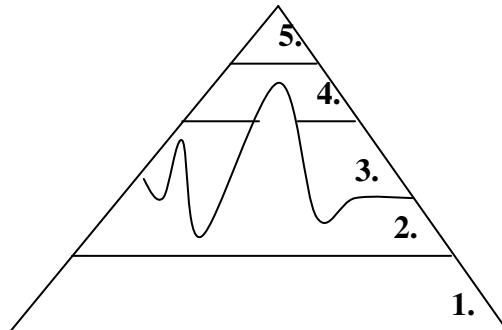


Figure 2: Principle of twined fingers in the context of Maslow's hierarchy of needs

Source: created by author

However, in the author's opinion, A.H. Maslow's theory does take into account the diversity of individual needs only in a generalized sense. Higher needs belong to psychological (intangible) factors. If we divide A.H. Maslow's pyramid into two parts (one subsuming the needs of the 1st and 2nd levels, and the second into the needs of the 3rd, 4th and 5th levels), then such classification of needs will be comparable to Frederick Herzberg's two factor theory, according to which needs are divided into: 1) hygiene factors, which F. Herzberg understood not only as preventive needs to maintain health and prevent disease, i.e. to ensure physical health, but also as factors that help to maintain human capacity for work; 2) motivational factors or motivators.

According to F. Herzberg (1959, 1968), hygiene needs are those that need to be satisfied in order to maintain the human capacity for work and so they are work-related, but the motivational needs are related to the nature of work and have a positive effect on the employee's job satisfaction. Motivational factors include the need for creative growth, for building a career, for success achievement, etc. The hygiene factors include wages, working conditions, etc.

The ERG theory of Clayton Alderfer (1972) distinguished the following three categories of human needs: 1) needs for existence → physiological needs; 2) needs for relatedness → contacts, security; 3) needs for growth → self-actualization, self-expression.

David K. McClelland (1970) identified the following categories of needs: 1) needs for achievement → praise, merit recognition; 2) needs for affiliation → belonging to a social group, cooperation; 3) needs for power → administrative authority and influence.

C. Alderfer's ERG and D.K. McClelland's theories share much of common ground.

Many scientists were influenced by the views of Friedrich Benedikt Wilhelm von Hermann (1795-1868), a German economist, mathematician and statistician.

Eugen Böhm Ritter von Bawerk (1851-1914), the Austrian school representative, also wrote about the hierarchy of needs. He classified needs as: 1) needs for physical survival; 2) needs for maintaining health; 3) needs for improving health; 4) higher (luxury) needs; 5) communication needs.

According to Böhm Ritter von Bawerk physical survival was the primary need, which was also objective in nature. The other four were ranked subjectively, and one could arrange those secondary needs at one's own discretion.

Maslow's theory of needs was strictly hierarchical. Alderfer's theory was not strictly hierarchical, but may still be classified as a hierarchical one. Unlike Maslow's and Alderfer's theories, in McClelland's theory the needs were not arranged hierarchically, although they

were interconnected and influenced each other, which influence should be taken into account in specific situations. The latest generation of needs researchers includes Pirkko Anttila (1993), Andrzej Niezabitowski and Victor Papanek (1973) among others.

P. Anttila analyzed a number of studies on the needs. As a result, he divided all human needs into four categories based on different criteria:

1. Needs according to the criterion of **importance** may be ranked in a certain order on the basis of biological and social factors (similar to F. Herzberg's theory). Human physiological and psychological primary needs are major biological dimensions, and it is believed that all other needs are based on socio-cultural phenomena. For example, living accommodation is necessary to meet the needs for physical warmth, safety, hygienic and sanitary conditions and light. When these basic needs are satisfied, a person seeks to satisfy socio-cultural needs, such as needs for aesthetical values, privacy, social contacts, etc.

2. Needs according to **human interaction and criteria of choice**. This approach is based on psychological thoughts focusing on needs, drives and choice (e.g. behaviorist theory developed by American psychologist John B. Watson in the early 20th century). Needs analysis is a foundation of any market research, and needs are related to the experience of excitement or dissatisfaction, delight and disgust. Since it is very difficult to explore the needs as so many different criteria have to be taken into account, this should be assisted by the study of consumer preferences and behavior.

3. The criterion of a **hierarchy of needs**. In this case, different needs have different meanings. A. Maslow's hierarchy of needs is the most popular in this regard.

4. Needs according to the criterion of **influence**. P. Anttila (Anttila, 1993) assumed, and A. Niezabitowskij supported, that needs are drives that motivate people to become socially and culturally active.

A. Niezabitowski believed that individuals have needs that may be divided in groups; and communication is not affected by time and culture in which someone lives: there is the need for safety, the need for response at emotional level, the need for social acceptance, and the need for acquisition of new experience. Based on these groups A. Niezabitowski has developed a non-hierarchical system of needs according to the following categories: 1) **needs for safety** is aimed at avoidance of internal and external threats; 2) **needs for comfort** is aimed at facilitation of other needs satisfaction, such as unencumbered acquisition of consumer goods (regarding living accommodation, e.g. to have it sufficiently warm, light, soundproof, etc.); 3) needs for **social acceptance** also covers the need for having a modern and well groomed environment, etc.; 4) needs for **social contact** includes needs for social contacts with others and belonging to a social group, expressing this need, for instance, in a certain manner of dress, etc.; 5) needs for **action** is expressed not only in building a career, but also in engaging in sports and cultural activities, etc.; 6) needs for **peace and quiet** is expressed in the need for privacy in someone's private life and the need for integrity, which notion also includes a stable and invariable environment; 7) **needs for beauty** is associated with sensitivity to aesthetic values. In this regard, forms and relationships, colors and materials, etc. are essential, for example, the semantic content of goods.

Victor Papaneks classified needs as (Papanek, 1973): 1) **transient** (temporary) **needs**; 2) **real** (permanent) **needs**. Transient needs are those that are manageable and which can be manipulated e.g. fashion. These needs receive much public attention. Real needs are economic, psychological, spiritual, technological and intellectual needs. According to V. Papanek our clothing is just a costume. Such needs are not in the focus of public attention.

In modern society, material and non-material needs are intertwined. All the time new needs emerge mainly due to marketing and its influential instrument called advertising. Consequently, in satisfaction of some non-material needs, such as self-actualization and self-esteem, material resources may be used.

Yves Bernard and Jean Claude Colli classified needs as: 1) **survival needs** (primary needs), such as food, housing, etc.; 2) **other needs** (secondary needs) as comfort, leisure, etc. These needs emerge when private households wish to obtain a higher standard of living (Bernard and Colli, 1994).

The boundaries between these categories of needs mainly depend on the standard of living in a particular country. Rising living standards stimulate growing needs and this turns the differentiation of needs into important factor of economic activity revival.

Needs may be classified according to the degrees of satisfaction: 1) **minimal level**; 2) **basic level**; 3) **higher (luxury needs satisfaction) level**.

Boundaries between these levels are relative and the division is conditional. Over time, with the increase in living standards, these levels may regroup, for example, the car was once a luxury item, but today many classes of cars are within the normal level of needs; similarly with bicycles. In the quantitative aspect needs are multifarious, but with regard to their intensity, the situation is reversed. Each individual has its own perception of the satisfaction of a need and this depends on the nature of a need. Thus, when the level of satisfaction increases, the intensity of a need decreases.

Needs may complement each other, and needs may also compete with each other. This raises the problem of intersubstitutability of needs and their hierarchy, which can be solved by economic development organization. The optimal hierarchy of needs forms in a market economy as a result of the individual's free choice related to the market driven individual income distribution. In the Third World countries, where the standard of living is lower, the satisfaction of primary needs is a priority.

CONCLUSIONS

In real life, needs divisions may be not clearly expressed as the needs of individuals which may include needs from various levels, especially if these needs are directed from the bottom to the top of the pyramid. In this case, we can observe the phenomenon called "the principle of twined fingers", i.e. the individual's needs as a whole may be at the second level yet, but some of the needs are already from the higher levels. The opposite order is also possible. For this reason, when a specific market situation analysis is carried out, these peculiarities should be taken into account.

A.H. Maslow's theory takes into account the diversity of individual needs if only in a generalized sense. Higher needs belong to psychological (intangible) factors.

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INTERNAL AUDIT IN THE PUBLIC SECTOR OF UKRAINE: CHALLENGES AND PERSPECTIVES

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Abstract: This paper covered both theoretical background and actual status of internal audit in the public sector of Ukraine. Defined main challenges and perspectives towards to developing it, based on best international and EU practices. Gave reason for use internal audit as an effective tool for providing unbiased, objective assessments of whether public resources are responsibly and effectively managed to achieve intended results by public bodies for society needs.

Keywords: internal audit, public sector, public internal financial control

INTRODUCTION

The signing of Association Agreement between Ukraine and European Union (EU) emphasized the importance of development public internal financial control system and adoption it with internationally applicable standards (IIA, INTOSAI) and methodology, best EU practice of internal control and internal audit. Improving internal audit backgrounds, providing effective activities of internal audit units are inherent requirements for further integration of Ukraine in the EU.

MATERIALS AND METHODS

The study focuses on two tasks: consolidate theoretical backgrounds based on comparative analysis of Ukrainian experience and best international and EU practices and recognize the basic elements of further development internal audit function in the public sector of Ukraine.

It is well known that fundamentals of economic and social welfare depend on the operation of public bodies that should base on the principles of good governance such as transparency and accountability; fairness and equity; efficiency and effectiveness; respect for the rule of law; and high standards of ethical behavior [OECD Policy Brief 2005, 1-2]. The principal-agent relationship in public sector (where officials are acting as the principal's agent that periodically account to the principal (citizens) for their use of public money) require presence of third party as auditors (internal and external), whom provide independent and objective assessment of agent activity.

RESULTS

A brief consideration of a selection of published statements illustrates that internal audit function is a cornerstone of good public sector governance. It provides unbiased, objective assessments of whether public resources are responsibly and effectively managed to achieve intended results and also by promoting the appropriate ethics and values within the organization. Internal auditors help public bodies to achieve accountability and integrity, instill confidence among citizens in efficiency of use public money and quality of delivery services. It supports public governance through oversight, insight and foresight role, using such tools as financial audits, performance audits, investigative and advisory services.

Oversight role of internal audit means that auditors evaluate whether governments are doing what they are supposed to do; are they spending public funds for the intended purpose in compliance with policy and law or not. Internal auditors also take part in reducing the risk of corruption in public organizations, through investigations, audits and reviews of controls. *Insight* role means that internal auditors report their findings to decision-makers on which programs work and which do not. They have unique position to identifying better practices; to see how the operations of the organization could be more efficient. And last (*foresight*)

looking forward internal auditors identify the risks facing the organization, and mitigating those risks. They may also identify opportunities arising from rapidly evolving world.

It is clear from the above that internal audit's have three roles: oversight, insight and foresight to define the ways internal auditors add value to the public bodies' activity. Through these roles internal auditors help to achieve greater transparency, probity and equity, reduce risks, improve accountability, integrity and maintain the public trust among citizens.

The internal audit has changing nature and depends on global changing of social-economic environment. Last two decades internal auditors were moving from confrontational approaches to partnership with management, from controls to risk-based approach, becoming more proactive, consumer-oriented through complementing traditional internal audit's tasks with assurance and consulting services. Consistent with the Institute of Internal Auditors' definition (IIA Internal Audit Standards 2010): "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organizational operation. It helps organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process".

Internal auditor's activity is different from "inspection and revision"; it is also different from management function. Internal auditors should assess the adequacy of the control system are in place and provide decision-makers recommendations how to enhance efficiency, economy and effectiveness and reduce potential risks. They don't involve in managerial tasks, don't make sanction or punish like management, and don't check compliance to appropriate requirements like inspectors. Moreover there is growing expectations to staff up the audit team with people who can provide sound strategic level judgments to managers and move away from the desk-based and detailed analysis typically provided to junior staff.

In spite of variety of auditor's tasks has place, realization of it only possible in two directions, through assesses and giving recommendations.

Theoretical background of internal audit function is coming together above to confirm that related Ukrainian legislation get in line with international standards and codes. But actually the internal audit's role in Ukraine has still limited control tasks and oversight functions. The main root of this problem hidden in personnel: most of internal audit units in the public bodies were recruited by former "inspectors". Unfortunately, we should note the lack of clear understanding of substantial internal audit functions, influence of past "revision" experience in their work.

Second important issue is the place of internal audit in the public internal financial control system (PIFC), in a structured model that should provide control environment in the income and spending centers' of public administration, and may reasonable assurance among citizens in transparency and equity government's activity. PIFC coverage three ideas:

- Managerial accountability (financial management and control system);
- Functionally independent internal audit;
- Central harmonization unit (Welcome to PIFC, 6).

It is a good idea to briefly establish the links between these three ideas define and appreciate both, separately and together. Figure 1 may help explain the links.

Below illustrated ideas are closely connected and add each other.

It builds the triangle model where:

- Financial management and control is realized by managers of all levels in both public income and spending centers. They are responsible for set up of adequate control environment in public bodies.
- Functionally independent internal audit is implemented through the internal audit unit's activity that should be installed in all ministries and central executive bodies. They support management through providing objective assessment of internal control system. The interaction between internal auditors and managers represent direct connection in organizational sense. But functionally internal auditors are independent in decision how to provide internal audit's tasks.

- Central Harmonization Unit (CHU) is intermediary. It lies in the center and should coordinate interaction of first two elements with enhancing their efficiency and effectiveness through development of methodology and standards of work.

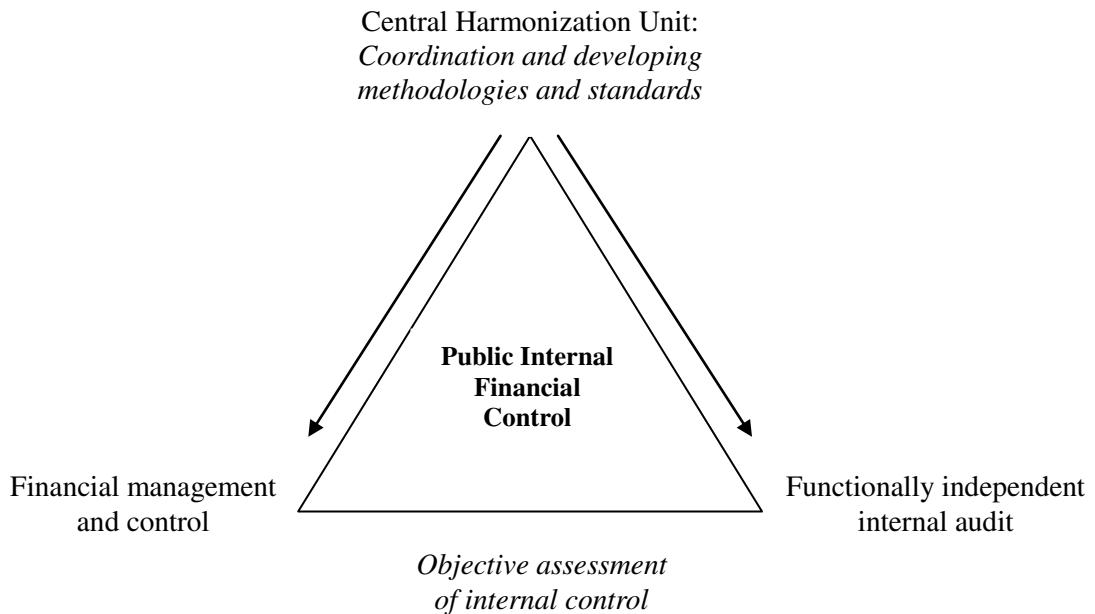


Figure 1: Elements of public internal financial control system

Source: created by author

The current system of PIFC in Ukraine only partially responds to core principles of abovementioned model. The main reason of it is weakness of internal control system and "birth" stage of internal audit function.

Considering the main stages and perspectives of internal audit development in Ukraine, according to Concept of PIFC till 2017, Ukrainian authority should take into account EU candidate countries' experience. For those countries European Commission has been developed a structured and operational PIFC model. It assisted national governments in re-engineering their internal control environment in line with international standards and EU best practice.

Based on PIFC model, the implementation process should cover four stages: conceptualization, development of the organizational, legal framework and staff development policy (Welcome to PIFC, 9).

The conceptualization is precondition for the successful implementation of PIFC model in the country. It's long term process that includes the estimation of current internal control situation and its accordance with international and EU standards. On this stage should be developed PIFC Policy paper in which generated the main principles of PIFC strategy and Action-plan for its realization. The following stages provide the suitable organizational, legislation framework and staff development policy.

Organizational framework should consist of financial management and control (FMC) systems to carry out the tasks of planning, programming, budgeting, accounting, controlling, reporting, archiving and monitoring; functionally independent of internal audit units to support management through the provision of objective assessments of the internal control systems in place, and Central Harmonization Unit (CHU), which is responsible for developing and promoting internal control and audit methodologies on the basis of internationally accepted standards and coordinating the implementation of new legislation on managerial accountability and internal audit (Welcome to PIFC, 10). Comprehensive legal framework should be built as two level structure of primary and secondary legislation (to define main principles of PIFC and approaches to its implementation) in which considers both financial management and control issues and internal audit.

Taking into account that building of PIFC in the country requires the creation of new functions, especially important to provide training environment where cover all training needs in order to provide quality preparation of managers, internal auditors and finance services staffs.

In Ukraine PIFC reforming process started at 2005, when Concept of PIFC and Action-plan was approved. In concept firstly was defined *internal audit* in the public sector. In legislative acts the internal audit first was set in the new version of the Budget Codex in 2010 as the activities of internal audit unit in the public institutions, aimed to improve the management system, prevent the unlawful, ineffective use of budget funds, errors or other defects in the work of public institutions and subordinate units, improvement of internal control (Budget Codex, Article 26).

All other stages are development organizational and legislation framework, staff policy is in active phase now.

The practical implementation of internal audit in the public bodies has been initiated at the beginning of 2012. For this goal one year before was approved Decree No. 1001 "Some aspects of organization of internal audit unit's and conduct such audits in ministries and other central executive bodies", where was setup provisions for revision unit's reorganization and launching internal audit units in some public bodies. Basic rules and common approaches how to provide internal audit in the public bodies were set up in the Internal Audit Standards, the ethical principles of internal auditor's behavior and in the Codex of Ethics.

However above mentioned legislation are not enough. Also, some regulations are different from internationally-applicable standards and should be fit in, taking into account EU integration goals of Ukraine. Especially important to approve the primary law where describes general aspects of PIFC, statements and provisions of internal audit; internal audit annual reports, handbooks and practical guidelines for conducting internal audits, etc.

The close connection between internal audit and internal control functions emphasize importance of developing appropriate public internal control legislation. For current moment approved just methodological recommendations of organization internal control.

Based on results of the PIFC Report (2014) we assessed actual realization of internal audit function in the public sector. First of all we should say that internal audit units were created in all central executive bodies, but in 16% just formal. They didn't develop internal instructions to regulate internal audit activity. Performance of audit tasks was low. The main reason of it was deficit of internal audit staff. At the end of 2014 the number of work places was 1660, but actual quantity of internal auditors was 1291. For last two years it reduced on 5% and 11% accordingly.

We should point out that most of new internal auditors were involved in the inspections in the past. They obligatory must pass retraining programs, because the work of inspectors and internal auditors is conceptually different and couldn't be performed using identical approaches. For this aim, in the last two years have been launched professional trainings, developed some handbooks and booklets. But efficiency of such action was low. In 2014 only 124 from 1660 people got professional training (SFIU Report 2014). Also just 55% of internal auditors, who got professional training in period from 2011 to 2014, stayed on their position. These numbers indicate deficit of qualified internal audit's staff, as well as the lack of clear government policy toward developing of new profession as public internal auditor.

In such conditions realization of all internal audit function are difficult.

Now we observe mainly financial and compliance audit have place.

In 2014 were performed 2792 audits where part of performance audits was 11,6% (SFIU Report 2014).

The abovementioned numbers on oversight role of internal audit in public sector, both insight and foresight roles are still absent.

Internal auditors spend the main part of their work time on the control and compliance that couldn't replace such function as efficiency assessment of public policies, risk assessment, etc.

CONCLUSIONS

Summing up the main findings we should say that internal audit in the public sector of Ukraine remains at the beginner's stage and has much room for its development which require to open doors to such direction as:

- enhancing awareness about internal audit in the public sector;
- improving legislation;
- developing training, certification of internal auditors;
- separating internal audit from other activities, such as inspections;
- enhancing insight and foresight role of internal audit.

The main goal of future investigation will be clearly specify the responsibilities of internal auditors and ways for improving public internal auditor's profession.

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HUNGARY AND UKRAINE: BILATERAL TRADE DYNAMICS

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Abstract: The article concentrates upon the bilateral trade of Hungary and Ukraine, the dynamics of their export and import. The necessity of optimal monetary policy research and providing conditions for its effective implementation are revealed. Bilateral trade relation of Ukraine and Hungary as independent states is an example of civilized and pragmatic international cooperation, especially in the Central European region. Its specific fluctuations depend on common historical background and processes, EU accession of Hungary, Ukrainian European direction and common problems as for two Border States. But the political crisis in Ukraine and economic situation in Hungary lead to deterioration of macroeconomic indicators and deepen the problems that exist in the development of trade relations between Ukraine and the Republic of Hungary.

Keywords: turnover, European Union, Hungary, Ukraine, export, import

INTRODUCTION

In terms of the dynamic global economic trends there are certain conditions for intensification of trade relations between actors of international economy. The importance of partnership between Hungary and Ukraine is due to the strategic assessment of the region as a significant geopolitical and socio-economic center. Significant partnership potential of these two countries, that are the boundary between the European Community and the Eastern Partnership, also explains the relevance of a stable logistic system that unites the East and Europe. Analysis of trends and structure of the Ukrainian-Hungarian trade cooperation requires the definition of quantitative and qualitative indicators of foreign trade relations. In the context of international relations the average rates of foreign economic activity are revealing, as they determine positions of partner countries on the international arena. The partnership between these two countries is in close political contact within the heads of states and governments, inter-parliamentary and ministerial levels, resulting in the international documents that promote trade and economic cooperation of these countries with the prospect of a strategic transformation format. Due to the European integration direction of Ukraine the article deals with trends of bilateral trade development in the context of economic and political priorities.

MATERIALS AND METHODS

Hungary and Ukraine are important partners for each other in foreign trade. Bilateral trade of Hungary and Ukraine was analyzed in recent research and publications of I. Artemova, A. Golikov O. Dovhal, S. Yakubovskyy, S. Ludwig, I. Devic, P. Mayorosh, P. Vytsay and C. Fedinets. The dynamics of their turnover in 2000-2014 was bidirectional: periods of growth were changing to decline and rise again but in recent years a significant increase of their mutual trade turnover has been evident. In 2000-2004 the dynamic developing trade turnover between Hungary and Ukraine had the tendency to increase. Before joining the EU Ukrainian exports almost doubled its imports from Hungary (*Figure 1*).

RESULTS

Despite the forecasts of the Ukrainian analysts as for negative consequences of the EU enlargement, especially regarding trade and economic relations between Ukraine and countries of Central Europe, the Ukrainian-Hungarian trade turnover has increased dynamically in quantitative equivalent in 2008, though, along with the increase of Ukrainian exports of goods, there was a significant increase of imports from Hungary.

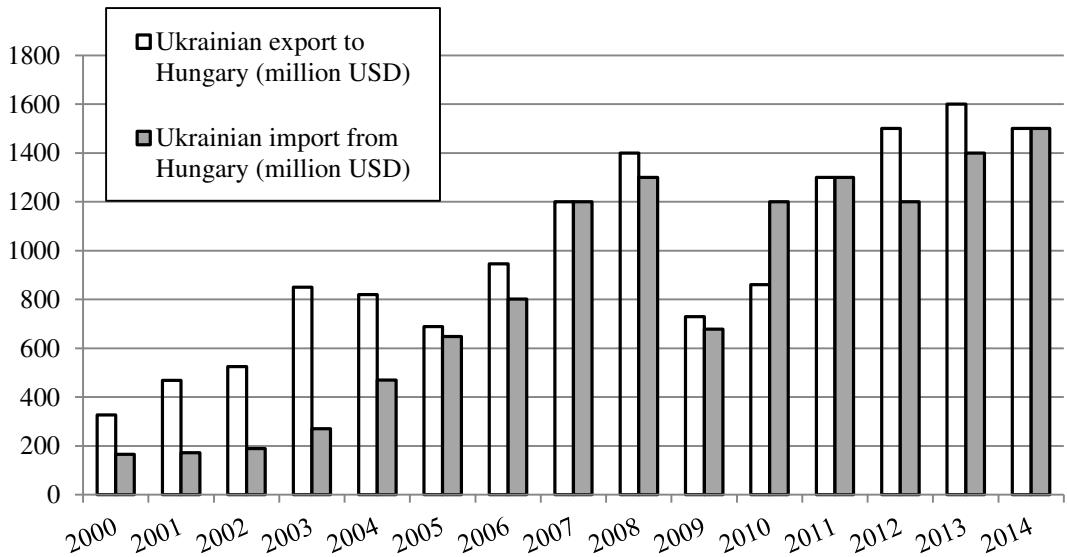


Figure 1: Turnover of Hungary and Ukraine (2000-2014)

Source: created by author according to [2]

If in 2000 Ukrainian exports and imports were 372,2 and 165,2 million USD, in 2008 they increased by 3 and 7 times and amounted 1,4 and 1,3 billion USD. The strong decline in bilateral trade in 2009 was due to the fact that cyclical commodities had a large share in trade, world prices of which are very sensitive to deterioration (fertilizers and metal), as well as investment and consumer goods, the demand on which reduced severely. After overcoming the global financial crisis two countries trade figures reached the level of pre-crisis years, as the result in 2011 their trade turnover was 1,3 billion USD [3].

In 2010-2011 trade of Hungary and Ukraine developed more rapidly than their foreign trade. This was due to the situation on world markets of fuel and commodities, economic recovery in both countries, the intensification of Hungarian-Ukrainian relations after the changes of heads of both states.

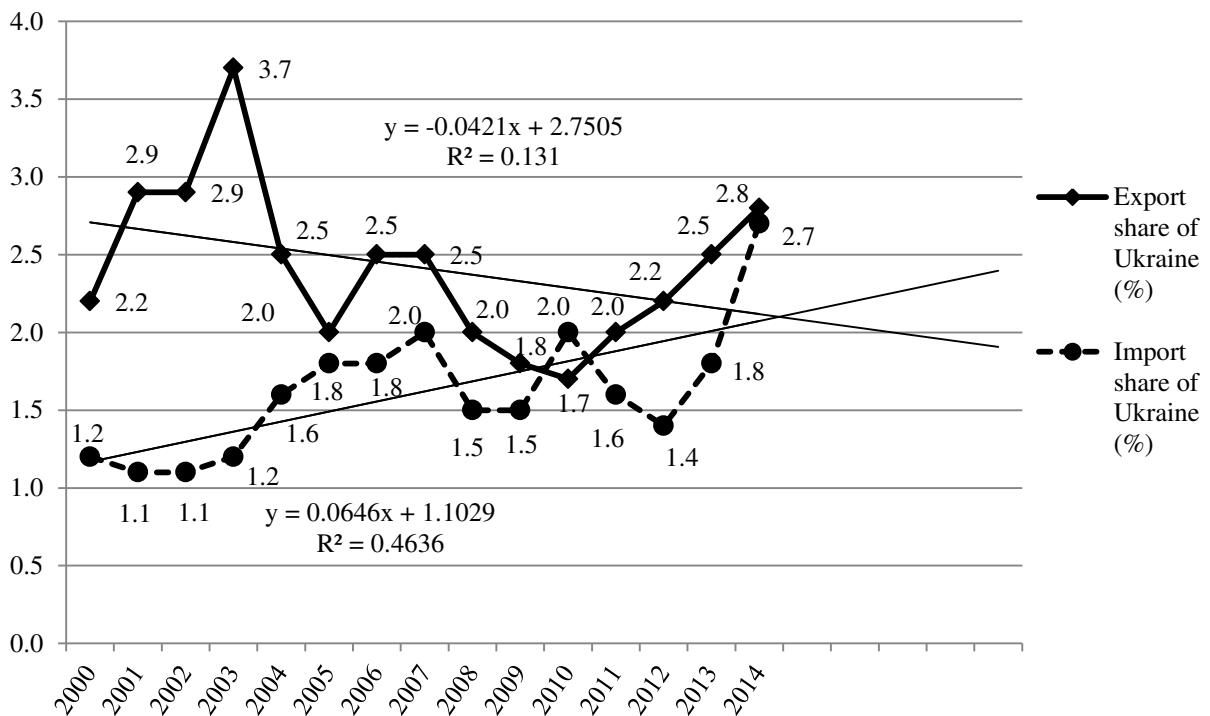


Figure 2: Export and import share dynamic of Ukraine in Hungarian economy

Source: created by author according to [5]

According to the UN trade statistics, Hungary has slightly reduced its products supplies since 2012 due to the political situation in Ukraine. However, the dynamics has remained positive and in 2014 the export-import trade with Ukraine in Hungary was 1,5 billion USD correspondingly that is 300 million USD more than in 2007. It should be emphasized that together with the accession of Hungary into the EU, trade with Ukraine has been increased almost by 2 times to 3,0 billion USD and both countries were in the list of 15 major trading partners of each other [5]. In 2000-2014 Hungarian shares in Ukrainian export has remained quite stable, fluctuating between 2,2% in 2000 maximum of 3,7% in 2003 (before the accession of Hungary into the EU) to 2,8% in 2014. Hungarian share in the Ukrainian imports has ranged from 1,2% in 2000 to the peak in 2014 with 2,7%. We can observe an obvious connection with fluctuations in political relations and accession to the EU [1]. Hungarian share decline of Ukrainian exports and increase in imports in 2004 was due to the trade barriers springing up by the European Union and Hungary as its members. Political instability and global financial crisis slowed down the growth rate of trade turnover of the two countries; and since 2010 Ukrainian export has been growing steadily, surpassing import from Hungary, which share is decreased due to the political situation in Ukraine. 2014 has been characterized by almost identical indicators of Ukrainian export and import shares in the economy of Hungary with 2,8% and 2,7% (Figure 2).

Ukrainian shares in the Hungarian exports show mirror dynamic changes increasing from 0,6% to 2,4% in 2000-2013 with decline 2009, to 2,0% in 2014.

In Hungarian import Ukrainian market share had a dynamic with constant fluctuations and recessions in 2005 and 2009: increasing share after Hungarian EU association and sustainable growth by 2008 to a value of 1,4% that continued to grow by the year 2012. Ukrainian import share from 2012 to 2014 remained at the level of 1,7% (Figure 3).

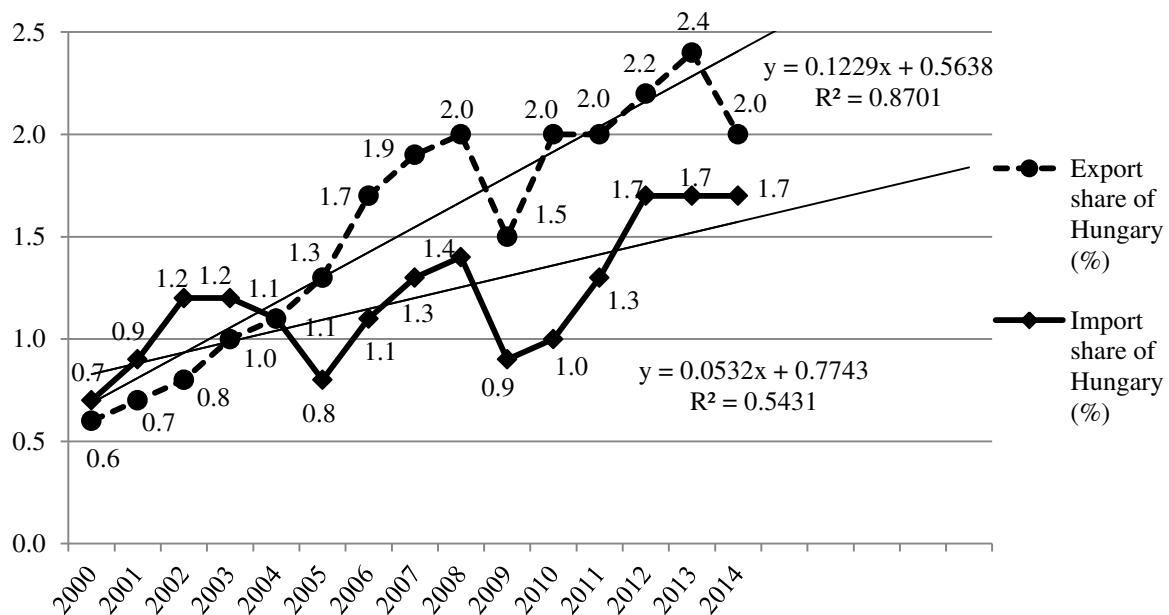


Figure 3: Export and import share dynamic of Hungary in Ukrainian economy
Source: created by author according to [5]

But the complementarities of economies are mostly based on intersectional cooperation, showing the model of exchange "energy as the products of higher degree of processing". Besides, mutual trade and investments provide mostly export to third countries. It should be analyzed whether the trade groups of export and import of both countries have changed due to the EU accession of Hungary in 2004 and to the global financial crisis and political situation in Ukraine in recent years (Table 1). In 2000-2004 the share of mineral fuels, fertilizers, ferrous metals and products from them, wood products industry, organic chemicals, electrical equipment and nuclear reactors, boilers and machinery has been

prevailing in Ukrainian exports to Hungary. Since 2006 the first place has been taken by electrical equipment, exports of which increased by 22 times compared with the year 2000 and in 2014 by 73 times and amounting 572,0 million USD [4].

Table 1
Structural changes in bilateral trade of Hungary and Ukraine according to main product groups in 2000-2014 (million USD)

| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
|--|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| Ukrainian export to Hungary (mln USD) | | | | | | | | | | | | | | | |
| mineral fuels, oils, distillation products | | | | | | | | | | | | | | | |
| 71,2 65,4 113,2 166,9 166,7 96,7 155,0 188,0 183,4 73,5 51,2 207,9 260,4 255,1 250,8 | | | | | | | | | | | | | | | |
| aluminium and articles thereof | | | | | | | | | | | | | | | |
| 57,1 | 76,0 | 59,3 | 62,2 | 45,3 | 34,9 | 12,3 | 17,4 | 20,1 | 8,6 | 10,7 | 11,2 | 7,3 | 8,3 | 7,4 | |
| wood and articles of wood | | | | | | | | | | | | | | | |
| 39,4 | 45,7 | 66,8 | 82,9 | 90,9 | 73,1 | 69,7 | 87,0 | 60,4 | 56,1 | 50,3 | 50,2 | 39,4 | 45,9 | 57,2 | |
| organic chemicals | | | | | | | | | | | | | | | |
| 31,4 | 39,1 | 51,4 | 71,1 | 79,5 | 53,4 | 106,9 | 103,2 | 40,8 | 10,9 | 14,8 | 23,8 | 9,8 | 8,5 | 9,4 | |
| nuclear reactors, boilers, machinery, etc | | | | | | | | | | | | | | | |
| 14,8 | 82,6 | 18,4 | 47,3 | 64,0 | 52,7 | 23,3 | 15,0 | 17,8 | 11,3 | 14,3 | 17,7 | 14,0 | 24,8 | 26,0 | |
| iron and steel | | | | | | | | | | | | | | | |
| 13,4 | 10,9 | 19,9 | 36,7 | 57,2 | 51,5 | 155,3 | 64,6 | 207,6 | 37,6 | 12,8 | 152,7 | 270,3 | 560,6 | 381,6 | |
| electrical, electronic equipment | | | | | | | | | | | | | | | |
| 7,8 | 48,3 | 49,3 | 75,7 | 42,5 | 59,5 | 172,3 | 509,1 | 539,6 | 383,9 | 522,7 | 642,2 | 665,1 | 500,0 | 572,0 | |
| ores, slag and ash | | | | | | | | | | | | | | | |
| | | | | | | | | | 52,9 | 72,0 | 93,5 | 20,8 | 64,1 | | |
| Ukrainian import from Hungary (mln USD) | | | | | | | | | | | | | | | |
| plastics and articles thereof | | | | | | | | | | | | | | | |
| 17,6 | 20,5 | 27,9 | 41,4 | 82,3 | 117,5 | 122,4 | 153,6 | 140,3 | 69,2 | 116,4 | 133,9 | 132,6 | 132,7 | 130,4 | |
| pharmaceutical products | | | | | | | | | | | | | | | |
| 17,1 | 19,9 | 24,7 | 34,8 | 40,7 | 58,1 | 70,1 | 83,1 | 100,3 | 87,3 | 108,1 | 97,3 | 125,2 | 138,0 | 113,5 | |
| electrical, electronic equipment | | | | | | | | | | | | | | | |
| 16,1 | 22,8 | 19,5 | 25,4 | 35,1 | 64,1 | 181,2 | 500,2 | 422,1 | 197,4 | 465,4 | 427,3 | 267,0 | 214,3 | 220,7 | |
| nuclear reactors, boilers, machinery, etc | | | | | | | | | | | | | | | |
| 13,7 | 13,3 | 16,2 | 34,9 | 39,5 | 35,8 | 55,3 | 78,0 | 105,1 | 40,4 | 71,1 | 98,2 | 104,8 | 102,5 | 54,2 | |
| mineral fuels, oils, distillation products | | | | | | | | | | | | | | | |
| 9,8 | 3,1 | 3,4 | 3,7 | 3,2 | 3,7 | 3,5 | 3,2 | 26,0 | 9,6 | 40,4 | 75,9 | 64,8 | 332,1 | 537,3 | |
| paper & paperboard | | | | | | | | | | | | | | | |
| 9,3 | 11,5 | 13,7 | 14,5 | 15,9 | 18,9 | 24,4 | 27,8 | 46,7 | 38,0 | 52,1 | 50,7 | 45,4 | 51,7 | 25,4 | |
| vehicles other than railway, tramway | | | | | | | | | | | | | | | |
| | | | | | 79,8 | 122,6 | 72,4 | 65,3 | 74,2 | 21,5 | 57,7 | 48,8 | 47,0 | 43,8 | 30,1 |

Source: UN Comtrade Database

Second place in the export took iron and steel products, which in 2014 amounted 381,6 million USD. Fertilizers and fuel took the third place amounting 250,8 million USD (*Figure 4*).

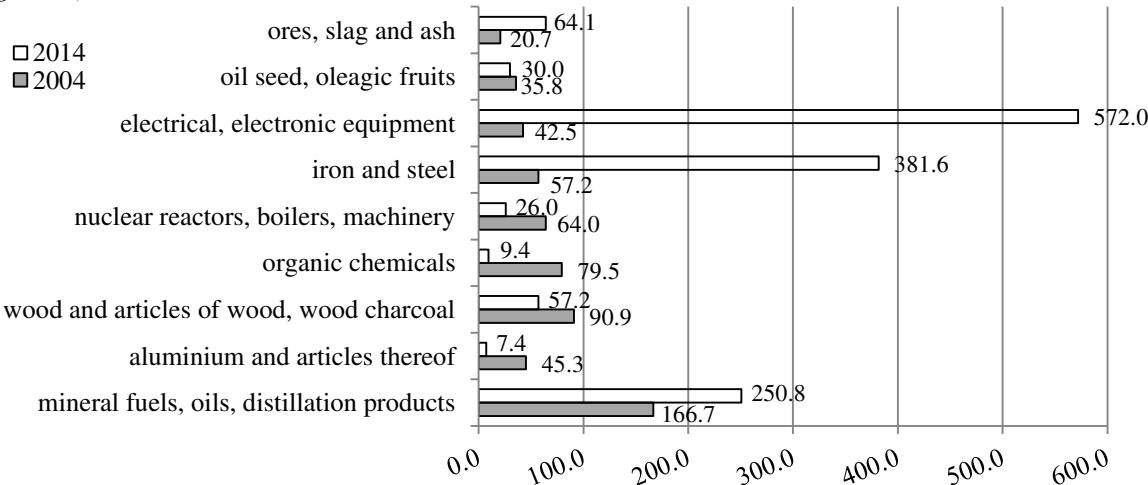


Figure 4: Ukrainian export to Hungary in 2004 and 2014 (million USD). [5]

Source: created by author

Plastics and polymers, pharmaceuticals and electrical machinery have been dominating in imports of goods from Hungary during 2000-2004. In 2006 the first position belonged to the electrical equipment import and the share of fertilizers, products of oil refining increased significantly by 20 times to 537,3 million USD in 2014. Decrease of polymers and plastics share was quite small, but the share of pharmaceutical products has been increased. However, the abovementioned product groups have been prevailing in Ukrainian import from Hungary during 2000-2014 (*Figure 5*).

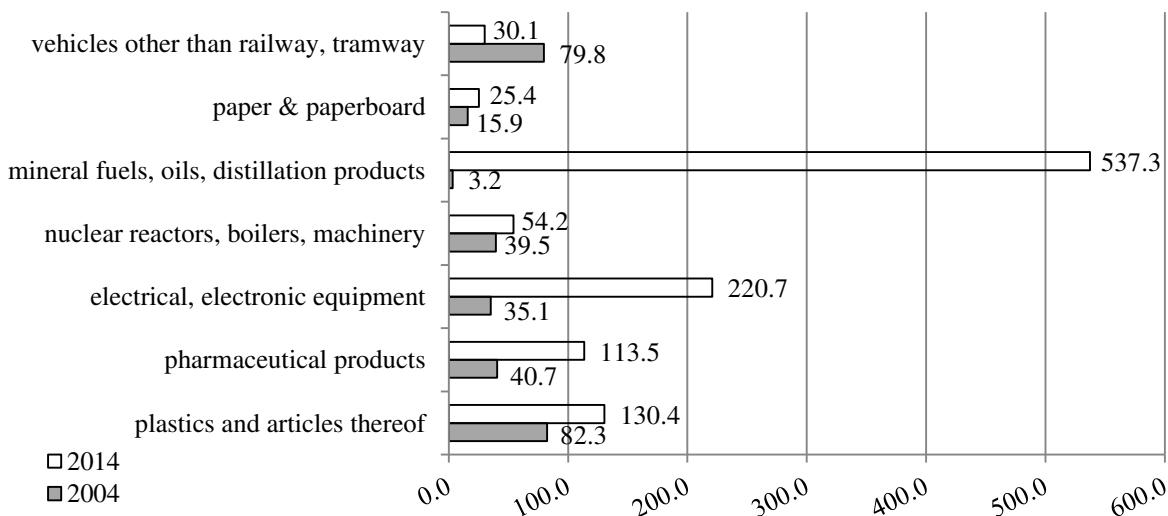


Figure 5: Ukrainian import of goods to Hungary in 2004 and 2014 (million USD) [5]
Source: created by author

CONCLUSION

Bilateral trade relation of Ukraine and Hungary as independent states is an example of civilized and pragmatic international cooperation, especially in the Central European region. Its specific fluctuations depend on common historical background and processes, EU accession of Hungary, Ukrainian European direction and common problems as for two Border States. But the political crisis in Ukraine and economic situation in Hungary lead to deterioration of macroeconomic indicators and deepen the problems that exist in the development of trade relations between Ukraine and the Republic of Hungary. The events in Ukraine promote its external isolation and decline in goods supplies from Hungary. Given the ambiguity of the forecasts for the future development of the EU, Ukraine should apply the principle of short-term strategic planning of foreign policy in the European direction, focusing on the development of stable relations with neighboring countries.

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CONVERGENCE OF STOCK MARKETS' MODELS IN THE GLOBAL ENVIRONMENT

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Abstract: The article describes the convergence of stock markets and the capital flow in a modern global environment and its development on global markets. In particular, it emphasizes the development and regulatory of Ukrainian stock market on its way to Europe. Also it is described, what kind of heritage modern stock markets follow on domestic markets when thinking about global stock markets according to Anglo-Saxon or German models. To achieve this goal such problems are solved in the article. First, the criteria for characterizing models of regulation interaction in the stock markets are defined. Secondly, the recognized polar (outermost, opposite) alternatives for each criterion, i.e. the limits of vector choice are set. Thirdly, the positions that are inherent for two basic models of modern stock markets within each vector of choice are determined. Fourth, the trends of change in such positions in process of convergence of base (Anglo-Saxon and Germanic) models of stock markets are determined. Ultimately, this allows proving some regular features of a new global model of stock markets, emerging now in the process of such convergence Germanic and Anglo-Saxon models.

Keywords: stock market, financial system, globalization, market developing, capital flow, convergence of markets

INTRODUCTION

Stock markets adapt to the becoming of a global mechanisms of capital movements by integrating in the large trading structure. Accordingly, the convergence of security trading models which inherent in different countries become necessary. This convergence somehow simplistic may be considered like mutual approximation of German (continental) and American (Anglo-Saxon) models of stock markets. But the specificity of this convergence is fundamentally important for understanding the new position of integrated stock markets in the financial system of the global economy. In particular, which characteristics of a new model of global stock market inherited from the Anglo-Saxon model and what from Germanic model?

Because the answer to these questions reveals those social conditions and tasks, which will define the new global structure of stock markets. So understanding the logic of the global stock market's developing is necessary for formulating the theoretical underpinnings of regulatory policy of domestic stock market's development and its integration to global flows of capital. Consequently, research aimed at clarifying the contribution of each of the basic models of stock markets to the formation of a new global model of their operation, acquire relevance as an important prerequisite for improving the government policy's efficiency of Ukraine's stock market's development.

MATERIALS AND METHODS

The trend towards convergence of stock markets' patterns have become almost central object of researchers' attention in studying the problem of the formation of global space for capital movement in the late twentieth century. In particular, in works of famous Russian scientists (Mirkin, Rubtsov and Kyreev) the necessity of that trend was noted in early 2000s [1, 2, 3]. From these works was posed an important methodological principle for study of trends in the development of stock markets: the convergence process is seen as an approximation and diffusion of two basic models, the Germanic and Anglo-Saxon. Initial identification of these models included the emphasizing of their striking differences, at least on such important characteristics as:

- degree of integration into global capital flows;
- structure of investors and in particular, the dominant performers of that function (as

consequence strongly associated with this feature allows or bans merging commercial and investment banking services by one financial institution);

- structure of securities and as a result the prevalence of debt or an equity financing of economy's needs in the attracted capital.

Further, the complex dialectical interplay of integration and segmentation of the stock markets has become the subject of predominantly empirical studies which have found a various combination of these two conflicting trends in different groups of countries [4, 5].

Contradictory of driving forces, social demands and consequences of such a process was noted by domestic scientists. In particular, the important role of stock markets' integration to reduce barriers and transaction costs, associated with cross-border movement of capital was noted by J. Stolyarchuk, O. Kirieiev and others [6, 7]. Global integration of financial markets has fundamentally different implications for the developed countries and financial institutions in developing countries and for economic systems which are at the stage of economic system's transformation, as noted by Lukyanenko, Poruchnyk and Stepanov [8, 9].

Western scientists actively explored the question whether the process of stock markets' integration are the driving force behind the economic activity's of globalization and formation of a single space for capital movements, or vice versa, are a form of adaptation of financial institutions to the requirements of removing obstacles to global capital flows [10, 11]. Domestic researchers and Western authors have drawn attention to the contradictory of certain aspects of financial globalization and stock markets' integration. On the one hand, the integration of stock markets was considered in the context of overcoming the limitations of national savings as a basis for economic growth, empower for rising capital and accordingly to reduce its price and yield equalization of financial assets in various economic systems [12, 13].

On the other hand, financial, and in particular the stock markets integration was interpreted as part of the mechanism of "financial epidemics" that increase the vulnerability of national economies (primarily of the developing world) to the macroeconomic imbalances that have formed outside of their residents' activity sphere [14].

At the same time, formal, based mostly on abstract systems of algorithms, the stock market's models mostly were poorly for the specificity of national institutions, as they were based on theoretical principle of institutional conditions' complete identity in the national stock markets (see, e.g. [15, 16]). The specificity of national institutions have taken into account only corporate structure and dominant trends of corporate governance (such as in [17, 18]).

However, the known works did not include attempts to structure the features of the new model of global stock markets on the basis of their affinity with the Anglo-Saxon or Germanic model of organizing financial relations. But such structuring, in our opinion, is very important as a national model of the stock market may be considered as a way of adapting its institutions to the requirements of the laws of capital movements within the national economic system, and (to the extent of integration into the global economy) as well as the requirements of the laws of global capital flows. Accordingly, it is an understanding of relation between a new global model of stock markets and the two basic foundations of its formation (Germanic and Anglo-Saxon models) creates preconditions for rationalizing government policy of stock market's integrating into the global space of capital movement.

Accordingly, the aim of this paper is to highlight the influence of Anglo-Saxon and Germanic models of stock markets to the formation of the global space of capital movement.

To achieve this goal such problems are solved in the article. First, the criteria for characterizing models of regulation interaction in the stock markets are defined. Secondly, the recognized polar (outermost, opposite) alternatives for each criterion, i.e. the limits of vector choice are set. Thirdly, the positions that are inherent for two basic models of modern stock markets within each vector of choice are determined. Fourth, the trends of change in such positions in process of convergence of base (Anglo-Saxon and Germanic) models of stock markets are determined. Ultimately, this allows proving some regular features of a new global model of stock markets, emerging now in the process of such convergence Germanic and Anglo-Saxon models.

RESULTS

Measuring the integration into global flow of capitals will be the first criteria that will characterize models of stock markets in the context of this article. There are two opposite positions that create selection space for national stock market model per above said criteria: from one side there is the total national stock market integration into global flow of capitals environment, and from other side the complete isolation of national stock market from global flows of capital.

There are the following demonstrations of the first opposite (maximum integration into global flow of capitals):

1. Lack of essential differences between procedures, transactional expenses, interaction forms of supply and demand regarding national (residents) and foreign (non-residents) issuers and investors.
2. Close correlation (theoretically as absolute compliance) of security courses in national and global stock markets, therefore complete similarity of stock indexes dynamics.
3. High diversification of general volume of investments: by directions between securities of national and foreign issuers, by financing sources between national and foreign investors (according to modern investment portfolio, optimization of models in parts of certain country securities from the portfolio should be the same as the part of such securities in general market capitalization, see example [19]).

The other opposite position by stock market integration into global flow of capital criteria (minimal integration) is expressed as:

1. High diversification of transactional expenses and essential differences in procedures of stock market subjects interaction depending on national identity of issuers and investors.
2. Absence of correlation between security courses in national and global stock markets.
3. Minimal (theoretically zero) role of investments that apply to foreign issuers' securities or are made by foreign investors.

Now we try to find a position of Anglo-Saxon and German models in the limits of above chosen vector.

Traditionally The Anglo-Saxon model is treated as more open oriented outside investments sources usage. This model is quite appropriate for foreign issuers securities turnover because of more liberal regime of securities regulation as well as disposition of national stock market subjects to actively attract foreign resources and abilities of investments as being in role of issuer so being in role of investor (see example [1, 2]). Thus, Anglo-Saxon model main feature is comparatively less transactional expenses differentiation depending on national identity of issuer or investor, more close correlation securities courses with stock markets of different countries and larger portion of inter-border transactions in total volume of securities turnover.

The German model could be described as a model with higher barriers for inter-border capital turnover; therefore there are greater transactional expenses differentiation depending on national identity of issuers and investors, less securities courses correlation with stock markets of different countries and less part of inter-border transactions in total volume of securities turnover.

However actual investments separation proportions between securities of national and foreign issuers in those national stock markets that are essentially close to Anglo-Saxon model are principally different from theoretically optimal ones. This phenomenon got name "domestic replacement" in economic science. "Domestic replacement" means the following typical behavior of investors at stock markets concerning securities of issuers from different countries does not correspond with theoretically proved principles of basic investment portfolio optimization models (we have already recalled the principle from Markovitz and Tobin's works). Nevertheless actual investor's assets separation proportions essentially deviate from such theoretically proved ones (e.g. institutional investors from developed countries

placed only about 25% of investments in securities of foreign issuers in the beginning of 2000s [20]). At the same time a trend of inter-board transactions increasing in total volume of agreements in world stock markets that dominates during first decade of XXI century (if eliminating the influence of world finance crisis of 2008-2009) is inseparably linked with the change of securities structure that are traded by members of global financial relations. Particularly stock trades' internationalization occurs much faster by the derivatives than by debt securities and stocks of corporations from different countries.

The number of contracts with financial derivatives is significantly greater than volume of trades and even more than volume of stock market capitalization by stocks and debt securities of corporations. Nowadays world debt securities turnover in annual terms is close to global market of derivatives volume in daily terms, and annual world stock markets turnover by stocks even yields to daily turnover of financial derivatives trades in global capital flow scale (see example [20, 6]).

Taking into account above said arguments we could make a hypothesis about conditionality of inter-board capital flow activation during the process of stock market functioning not so much by profitability of differentiation of capital usage in different economical systems, as by demand of risks reallocation among its subjects. Derivatives trading create a mechanism of reallocation of the profit that is produced by global economy between stock trades members who appeared "at different sides of market trends".

Hence a nature of stock markets globalization, logic of its institutional structure composition could be interpreted as, to a great extent, it complies with risks, wins and losses reallocation from different trends of world state of market dynamics between subjects of different economical systems, and to a smaller extent it complies with necessary provision of capital allocation. Exactly such facts, in our opinion, prove obvious domination of derivatives trading in total volume of securities international contracts.

However, even regarding primary securities (titles of ownership or debt instruments), leading transformation trend by "integration into global capital flow" as national issuers and investors involvement increase into global capital flow as for national stock markets that are close to Anglo-Saxon model. For instance, in March, 2002, from total company stocks volume that were listed in Tokyo Stock Exchange foreign investors owned 18,3% shares, in 2007 the shares were already 28,0%. For the group of largest 500 companies (according to market stocks cost) the part of foreign investors in its capital were increased in the same period from 17,4% to 28,7%, and for the group of smallest 500 from 2,1% to 6,9% [21].

The second criterion to characterize the patterns of the stock market is institutional structure of investors (distribution of the total amount of investments between groups of investors). By this criterion are the following two polar alternatives: firstly the maximum shredding structure of securities' ownership (larger share of investment is given by small investors and their unions as collective investment funds); secondly the maximum concentration of securities' ownership, which is expressed through the dominance of universal commercial banks in the structure of investors.

In modern terms, the national stock market models that better corresponds with the first alternative are called as focused on ensuring wide participation; those which are closer to the second are oriented on professionalism of investing in the stock markets.

In world practice, crushing equity ownership is associated with a relatively greater role of non-banking institutions in the stock market in conjunction with the predominantly directly (through the broker-dealer infrastructure) attraction of the general public savings to investment in stock markets. Manifestations of equity's concentration in relation to stock markets became the dominance of universal banking institutions among stock investors and their prevalence as a means of attracting savings to the operations of the stock markets.

Famous authors traditionally characterized the Anglo-Saxon model as being formed by providing priority "participatory" people (not institutional investors) and institutional organizations of such investors (collective investment funds) in the structure of investment sources [1, 2].

Accordingly, the common interpretation of the German stock market model assumes dominance in the securities markets sufficiently universal financial institutions, mainly the banking sector. In modern terms, the trend towards convergence of national stock markets models greatly reduces the differences in the structure of investors.

Thus, the transformation of the stock markets, which were close to the Anglo-Saxon model comes in the form of increasing activity of banks in the stock market, increasing its share in the aggregate amount of the joint stock of such countries. Such processes are activated after removal (weakening) legal restrictions on the activities of banks in the stock market (such as the abolition of the Glass-Steagall Act law prohibiting the combination of the functions of investment and commercial banks in the U.S. [2]).

Transformation of the stock markets that were closer to the German model, on structure of investors is associated with the phenomenon of "securitization" i.e. increasing financial resources attracted in the economy through stock market infrastructure, not universal or specialized financial institutions. Thus, the volume of turnover on stock exchanges in the world grows stable faster than the volume of national GDP, the volume of international trade, or even the amount of loan given by banking institutions (see, e.g. [6]).

Table 1 presents data on the dynamics during 2009-2012 of index market capitalization stocks (capitalization ratio to the national GDP, %) and the volumes of lending to the private sector by the banking sector (the ratio of the amount of credit debt private sector to GDP, %). *Table 1* shows that countries where stock markets are closer to the German model characterized mainly excess of the pace of the increase in stock market capitalization, compared to the rate of expansion of credit to the private sector by banks.

In particular, in countries where the ratio of stock market capitalization to the indicator of lending amount is below than weighted average across all countries in the studied group (composition of the group is almost stable during the years of the period under study) there are mostly higher pace of growth of stock market capitalization, compared with rate of expansion of loans issued by banks. Exceptions to this rule (among European countries) are observed only in Italy and France. But in Italy the ratio of the stock market capitalization to the amount of loans increases, indicating a redistribution of mediation between savings and financial resources of the economy in favor of market infrastructure. In Germany, Denmark, Austria, Ireland, Netherlands, the rate of expansion of stock market capitalization is larger than the growth rate of bank lending. This is consistent with the trends of transformation of the stock markets closer to the German model, which we have described: the role of stock market infrastructure in mediating between savings and financial resources of economy is growing, and role of banks is reduced.

The third criterion describes the structure of instruments on financial market and as polar alternatives by this criterion serves predominance of debt or equity forms of capital flows, i.e. prevalence of trade by debt or shares securities.

Expression of dominance equity financing serves greater amount of equity securities sales in comparison with the amount of debt securities. Conversely, large scale transactions entered into with debt securities will feature a more important role of debt securities (and respectively debt relations) in the stock market.

As indicators of the extent of trading activity in share securities can be used the equity market capitalization values at a given date in conjunction with the rate of turnover for the period, or indicator of sales' scale for the period. An indicator of the trading activity on debt securities is the amount owed on a certain date or total sales for a given period.

For a simplistic approach, we can associate the Anglo-Saxon model of stock markets with a predominance of joint mechanisms for raising capital. Germany respectively has the leading role of debt financing to attract capital. However, if the amount of transactions in shares, is influenced by factors quite strongly associated with the processes of commercial circulation of capital, in respect of debt securities, a significant role of the state as the issuer of such facilities for trade on the stock market provides a qualitatively different content of value of deals: they were formed not through the commercial relations, but as a result of the government's economic policies.

Table 1

**Features of importance of banking infrastructure and market infrastructure
as a tools to attract savings into capital flows^{*}**

| Group and name of the country | Market capitalization of shares, % of GDP | | | | The scale of loans given by banks to the private sector, % of GDP | | | | average growth rate of capital 2009-2012 ** | average growth rate of loans 2009-2012 *** | The ratio of equity market capitalization to the scale of bank lending, % | | | | average growth rate of equity market, % **** |
|---|---|-------|-------|-------|---|-------|-------|-------|---|--|---|------------|------------|------------|--|
| | 2009 | 2010 | 2011 | 2012 | 2009 | 2010 | 2011 | 2012 | | | 2009 | 2010 | 2011 | 2012 | |
| Countries where the stock markets close to the Anglo-Saxon model | | | | | | | | | | | | | | | |
| USA | 104,6 | 114,6 | 100,7 | 114,9 | 231,4 | 228,1 | 227,9 | 229,9 | 1,03 | 1,00 | 45,20 | 50,24 | 44,19 | 49,98 | 1,03 |
| UK | 126,7 | 135,9 | 117,1 | 122,0 | 225,4 | 219,3 | 209,7 | 206,7 | 0,99 | 0,97 | 56,21 | 61,97 | 55,84 | 59,02 | 1,02 |
| Canada | 125,7 | 137,0 | 109,8 | 113,3 | 227,1 | 215,2 | 213,2 | 203,5 | 0,97 | 0,96 | 55,35 | 63,66 | 51,50 | 55,68 | 1,00 |
| Australia | 135,8 | 127,4 | 86,4 | 83,9 | 151,5 | 154,8 | 152,5 | 154,2 | 0,85 | 1,01 | 89,64 | 82,30 | 56,66 | 54,41 | 0,85 |
| Countries where the stock markets close to the Germany model | | | | | | | | | | | | | | | |
| Italy | 15,0 | 15,5 | 19,6 | 23,9 | 141,6 | 155,5 | 157,0 | 167,5 | 1,17 | 1,06 | 10,59 | 9,97 | 12,48 | 14,27 | 1,10 |
| France | 75,3 | 75,1 | 56,4 | 69,8 | 128,8 | 132,7 | 133,1 | 136,4 | 0,98 | 1,02 | 58,46 | 56,59 | 42,37 | 51,17 | 0,96 |
| Germany | 39,3 | 49,3 | 32,6 | 43,4 | 133,1 | 131,0 | 124,0 | 122,5 | 1,03 | 0,97 | 29,53 | 37,63 | 26,29 | 35,43 | 1,06 |
| Denmark | 60,2 | 74,0 | 53,8 | 71,3 | 222,2 | 214,7 | 205,4 | 206,0 | 1,06 | 0,98 | 27,09 | 34,47 | 26,19 | 34,61 | 1,09 |
| Austria | 14,0 | 17,9 | 19,8 | 26,9 | 140,1 | 138,0 | 136,0 | 135,0 | 1,24 | 0,99 | 9,99 | 12,97 | 14,56 | 19,93 | 1,26 |
| Ireland | 27,2 | 28,9 | 47,8 | 51,8 | 221,5 | 230,1 | 217,1 | 201,7 | 1,24 | 0,97 | 12,28 | 12,56 | 22,02 | 25,68 | 1,28 |
| Holland | 68,1 | 85,1 | 71,4 | 84,5 | 223,2 | 212,9 | 212,4 | 216,2 | 1,07 | 0,99 | 30,51 | 39,97 | 33,62 | 39,08 | 1,09 |
| Japan | 67,1 | 74,6 | 60,0 | 61,8 | 326,8 | 324,7 | 337,5 | 346,1 | 0,97 | 1,02 | 20,53 | 22,98 | 17,78 | 17,86 | 0,95 |
| Countries with the highest level of depending on the operation of financial institutions | | | | | | | | | | | | | | | |
| Hong-Kong | 427,9 | 472,1 | 357,7 | 420,9 | 164,1 | 195,3 | 207,0 | 200,6 | 0,99 | 1,07 | 260,76 | 241,73 | 172,80 | 209,82 | 0,93 |
| Singapore | 164,6 | 159,7 | 116,1 | 149,8 | 88,0 | 82,4 | 91,6 | 99,5 | 0,97 | 1,04 | 187,05 | 193,81 | 126,75 | 150,55 | 0,93 |
| Sweden | 106,5 | 125,5 | 87,7 | 107,0 | 144,1 | 142,0 | 143,2 | 145,3 | 1,00 | 1,00 | 73,91 | 88,38 | 61,24 | 73,64 | 1,00 |
| Swiss | 210,2 | 223,3 | 141,8 | 171,0 | 186,5 | 183,7 | 185,6 | 192,9 | 0,93 | 1,01 | 112,71 | 121,56 | 76,40 | 88,65 | 0,92 |
| Postsocialist countries | | | | | | | | | | | | | | | |
| Russia | 70,5 | 65,9 | 41,9 | 43,4 | 33,7 | 37,4 | 38,6 | 41,5 | 0,85 | 1,07 | 209, 20 | 176, 20 | 108, 55 | 104, 58 | 0,79 |
| Ukraine | 14,3 | 28,9 | 15,6 | 11,7 | 89,1 | 80,2 | 80,3 | 80,2 | 0,94 | 0,97 | 16,0 5 | 36,0 3 | 19,4 3 | 14,5 9 | 0,97 |

* Column 1-8 according to [22]. Column 9-16 calculated by author according to [22];

** Geometric average growth rate of capitalization of equity markets during 2009-2012;

*** Geometric average growth rate of loans given by banks during 2009-2012;

**** Geometric average growth rate of ratio of equity market capitalization to the scale of bank lending, %

Thus, during the application of the incentive (expansion) policy, the government seeks to reconcile such conflicting leverage on the economy as a reduction of the tax burden and increase of government spending. This objective leads to an increase in the need to attract financial resources and leads to an increase in public debt, thus changing the structure of trade in the stock markets. To a large extent, these proportions reflect the impact of the processes which occurs beyond stock markets and more outside of relations over the movement of capital between issuers and investors.

For example, the average daily amount of sales of debt securities issued by the U.S. corporate sector was 18.8 billion (in current prices) in 2004; in 2005 – 16.6 billion dollars; in 2006 – \$ 16.9 billion; in 2007 – 16.4 billion dollars; in 2008 – 14.3 billion dollars; in 2009 –

19.9 billion dollars; in 2010 – 20.5 billion dollars; in 2011 – 15.6 billion and in 2012 – 16.7 billion dollars. The comparable figure for government issued Treasury debt securities (Treasury securities), which is only one of the three major, not counting minor, varieties of government debt securities amounted to 499 billion dollars in 2004, 554.5 billion in 2005, 524.7 billion in 2006, 570.2 billion in 2007, 553.1 billion in 2008, 407.9 billion in 2009, 528.2 billion in 2010, 567.8 billion in 2011 and finally, 518.9 billion in 2012 [23].

These numbers show how the prevalence of volumes of government debt securities' trading, versus securities of private corporate (non-financial) sector and the diversity of trends their dynamic (a common feature is only the reduction of trade activity during the crisis of 2008-2009, but even its causes were qualitatively different), which once again emphasizes the arbitrariness of any estimation, obtained on the basis of summarizing the data on capital flows that occur in commercial and non-commercial basis. Accordingly, the convergence of equity markets' models in respect to the structure of trading securities are specified by factors, which outside the scope of commercial relations over the movement of capital.

In stock markets, which were closer to the Anglo-Saxon model, share of debt securities in the total turnover increases in most cases. In the group of stock markets which were closer to the German model the number of markets increases where growth of amounts of transactions with shares higher than the rate of the increase in agreements with debt securities (empirical evidence are, for example, in [24, 25]).

CONCLUSIONS

1. Convergence of stock markets' models occurs in respect to all the three key criteria which characterize their performance. The above can be interpreted as a sign of the gradual formation of a single (global) space of capital movement, and highly integrated stock markets will be an organic element of which. Stock markets in this process naturally acquire traits of integrity, providing alignment of return on investments and standardization of transaction costs for similar sized capital and riskiness of sphere and its use on all stock markets involved in the integration.

2. Convergence of stock markets' models on various criteria occurs not symmetrically. For example, by the criterion "the degree of integration into the global mechanisms of capital movement" of national stock markets, which were close to the German model are transformed with much more dynamic and towards convergence to parameters that were previously the hallmark of markets tended to Anglo-Saxon model for greater involvement of national issuers and investors in the global capital flows.

3. By the criterion "the structure of investors" convergence occurs both through the "centripetal" movement markets which were close to the Anglo-Saxon model, and by the same "centripetal" movement of stock markets that were closer to the German model. Firstly, the main characteristic extensions of banking institutions' activity in equity markets strengthen their role as a mediator between the owners and users of temporarily available monetary resources in the stock markets. Secondly, characteristically of some fragmentation of share capital and reducing the dominance of banks as the main intermediaries in the stock market with the expansion of opportunities for the inclusion of savings to securities transactions through the stock market infrastructure, not banks.

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STAGES OF SOLVING PROBLEMS OF EXTERNAL FINANCING FOR DEVELOPING COUNTRIES

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Abstract: *The purpose of the article is to disclosure the problems of external financing for developing countries in conditions of internationalization and economic globalization of the world economy and the stages of their decision. The process of transition to a market economy in developing countries is very difficult and ambiguous. The rate, the nature and outcome of this process depends first of all on economic factors, such as the scale and level of development of national economies, the tactics of reform, duration reforms in these countries and the level of external financing. The survey is based on an organizational methods, logical-dialectic method of knowledge and methods of system-wide analysis: comparison and formal-logical. Limited domestic resources for economic development, actually is effective international external financing, and therefore productive in developing countries to achieve economic growth sufficient to service the external debt. The effectiveness of investment should be considered from a position of economic growth, which is not so simple and evident, so it is advisable to select a few main approaches and models, related to this problem.*

Economic growth is the increase in the production of the country goods, services and works, which leads to increase in real gross national income. But in the current process of globalization and internationalization of the foreign economic relations of developing countries, should take into account quality characteristics in the factors of production: capital, labor, technology. Quantitative and qualitative increase their characteristics led to the two types of growth: extensive and intensive. The extensive type of economic growth is expansion of reproduction on the basis of its quantitative increase of factors while maintaining the previous level of technological development, the workforce and productivity in which the efficiency of production remains unchanged. The intensive type of economic growth is expanded reproduction on the basis of a qualitative improvement of its factors and the improvement of organizational and economic relations of production. This increases both productivity and production efficiency and the increase in output are not provided due to the quantitative increase in production factors involved and due to their qualitative improvement. Developing countries have intense or predominantly extensive growth, and are classified by type of economic growth according to their share in the increase in production resulting from qualitative or quantitative changes in its factors. The important factors of economic growth are traditionally considered economic openness and integration into the world economy, competitiveness, monetary, social and legal factors, but that technological progress now occupies the main place in the structure factor of influence on GDP growth. The model of economic growth of intensive type differs from the extensive type of quality of production factors, changes in their roles and the amount of profit they have created, due to the influence of technological innovation used in developing countries. For the model of intensive type of technological innovation rather than investments in various countries, constitute the material basis of economic growth, provide increased efficiency and quality of the use of certain resources. For the model of extensive type of economic growth is the basis for the increase in leverage resources and increase their quantitative impact. Various contents of the material basis of economic growth as the difference between intensive and extensive model also lies in determining the content of an intensive for economic growth in an effort to obtain the average income and for intensive model to super-profits. Intensive and extensive economic growth model are determined depending on the species of the sources of growth, therefore, may be characterized by the growth of two categories: self-sustaining economic growth that is due to the internal resources of the country without attracting the foreign capital that provides a

relatively high growth rate of profit. In the context of self-sustaining growth it is possible to attract a possible, but not required foreign capital. The conditions of his involvement may be dictated by the state, i.e. an importer of capital in any form. Self-sustaining growth means the state of the economy, where the main factor of economic growth is considered with unlimited admission of foreign capital in the absence of any centralized control and economic control by the national economy, the lack of public instruments and mechanisms of growth of national development programs. The widespread increase in debt on the existing external payments is the main negative result of admission of foreign capital into the economies of developing countries using of foreign loans. Two forms of economic growth is need to allocation, due to the fact that today many developing countries and emerging markets, including Ukraine, are working on the formulation and implementation of national development programs, which effectiveness is largely determined by the level of government control over the processes of accumulation. Existing along with inefficient state budget and fiscal policy in developing countries, the external debt may contribute to the exacerbation of the economic crisis, so government necessary to use the mechanisms of debt restructuring with one or a combination of methods.

Keywords: *external debt, economic growth, developing countries, problems of external financing*

INTRODUCTION

The process of economic globalization of developing countries can be done only with financial support from developed countries. Reducing the majority of official financing programs raises an increased demand for foreign loans from both the public and the private sector. The pace, the nature and outcome of this process depends on economic factors, such as the scale and duration of the socio-economic changes, specific economic conditions of the national economies, the tactics of reform in developing countries and the level of external financing.

The *aim of the article* is to discover the existing problems of the international external financing of developing countries in terms of internationalization and economic globalization of the world economy and the search for their solutions. The *actuality of research* under conditions of the limited internal resources for the country's economic development is due to its dependence on the international external financing, which should be effective for developing countries to achieve high rates of economic growth to pay external debt. But the investment efficiency should be considered from a point of economic growth. Therefore, it is advisable to select a few key approaches and models to solve this issue.

MATERIALS AND METHODS

Such *methods of system-wide analysis* have been used in our article as: comparison and formal-logical method, as well as and organizational method and logic-dialectical method of cognition.

Economic growth is the increase in the production of goods, services and works, i.e. it is an increase in real gross national income. In the current process of economic globalization of developing countries it is necessary to count qualitative changes in the production factors: capital, labor and technology. Their qualitative or quantitative increase characterizes two types of growth: extensive (quantitative increase of factors) and intensive (qualitative increase of factors), although the pure (absolute) form of extensive and intensive economic growth does not exist. There is mostly intensive or mostly extensive economic growth in developing countries; countries are classified by the type of economic growth, depending on the share of growth in production and resulting factors of qualitative or quantitative changes. Technical progress is an important factor in economic growth (Schumpeter, 1982, pp. 278-307), which now takes place in the basic structure of factor influence on GDP growth. Due to the different content of the material basis of economic growth, the difference between the intensive and

extensive model is the content of a stimulus for economic growth, which reflects the pursuit to get the average income, and for intensive model to get over-profits.

Intensive and extensive models of economic growth are determined depending on the species of the used sources of growth. Therefore, there are two categories of growth: *self-sustaining economic growth* for the cost of internal resources, which ensures high growth rates of profit and *self-supporting economic growth* for the cost of external resources without any regulation and control by the state in the efficiency of its use.

The increase in debt for servicing current external payments in developing countries is a major negative result of foreign capital admittance in the economy of these countries with the use of foreign loans. The need for the two forms of economic growth is due to the fact that today mostly all developing countries and countries with emerging markets including Ukraine, are working on the formation and implementation of national development programs, whose effectiveness is largely determined by the activity of state control over the accumulation processes. The current foreign debt along with the inefficient state budget and fiscal policy in developing countries sharpens the crisis in the economy; therefore, it is necessary to use the mechanisms of debt restructuring with the use of one or a combination of methods in the current economic conditions. At the same time, it is necessary to achieve the optimal balance between debt financing instruments and those instruments that do not raise debt. Let us consider the basic theories of external financing, which had a significant influence on the formation of certain rules and mechanisms to solve the problems of external funding for developing countries.

Evolution of external financing theories went mainly within the following economic schools: classical, neoclassical, Keynesian, neo-Keynesian and monetarist that has a key position in economic science nowadays.

In the XIX century classical economic theory of Adam Smith and David Ricardo (2011) have considered international trade as an engine of internationalization and integration of the world economies, as a major catalyst for national well-being, especially if the country had specialization in those areas, where it had comparative advantages.

Thus, A. Smith (Smith, 2007) connects the economic growth with the labor factor. However, under the influence of the population factor and limited land resource, the law of diminishing returns takes place (Malthus, 1895), which contributes reducing in the marginal product of the manufacturing sector in developing countries, and then it leads to a fall in real wage rates. The universal law of population is: when population growth is not limited by the number of consumer products, while its population increases exponentially; it leads to a fall in living standards. Scientific views of T. Malthus did not pass the time test. Such events as wars, epidemics, natural disasters and technological accidents lead to a decrease in population.

M. Tugan-Baranowski has made an important contribution to the theory of economic growth (2011), having created a new theory of the market, when the periodic change of the rise and fall of industrial production is caused not by the laws of consumption, but production laws. During up years production expands not because of rising consumption at this time. Vice versa, consumption increases because of increasing production. His theory explains many important issues of the reproductive cycle anew. However, it could not find all the answers that appeared later in the scientific papers of J. Schumpeter (1982) and A. Schpithof (2011), which are tied the reproductive cycle with the concept of suction mechanism of the investment vacuum generated by the implementation of scientific and technological process.

Macroeconomic analysis and the condition of equilibrium prices and production costs, supply and demand characterizes the neoclassical theories of capital export. They follow from the concept of marginal productivity of production factors: capital, labor and land. Developed market theory (Kvasov, 2011) and each of the production factors have the physical productivity and creates its share of income; therefore there is no exploitation.

In the early XX century, along with the abovementioned factors Marshall (Marshall, 2008) has highlighted another factor is organization of production as manager wage. The supply is formed by objective factors and known production costs. It has created a theoretical confrontation with representatives of the Austrian Economic School.

International trade is started by British and French companies in the colonies, where they controlled everything. It was until the 1950s of the twentieth century, when modern TNCs with developed production networks worldwide have appeared in the US. Their leadership allowed moving part of its production factors in the growing markets of Latin America and Europe in the form of industrial investment that in the postwar period has led to the positive results in the development of these economies. The motivation and behavior of TNCs in the markets of other countries requires explanation of the origin of foreign direct investment, as well as phenomena of their direct influence on both recipient and donor countries.

Implementation of policy to attract foreign direct investment allows obtaining specific advantages of property ownership and to be foreign investors for the companies-recipients of developing countries. It contributes their advancement in the way of investment development. To stimulate the innovative development of external financing there is a new tool of the financial market, i.e. a loan that sovereign states have to pay in full. In case of impossibility to fulfill loan obligations, creditors are forced to use special enforcement mechanisms to payments: 1) the cessation of bilateral trade; 2) an embargo on the import of basic goods and the trade credit; 3) threat of political confrontation on the part of the creditor and the subsequent seizure of the debtor's assets or termination of existing international technical help and grants.

The role of the Government on the issue a timely settlement of external debt is very important. Monetarists believed (Yuhimenko, 2008) that the budget deficit is not a serious threat to the economy when its size and capacity do not contradict the stable growth of money supply. The tendency to the state budget deficiency is seen in the propensity of governments of developing countries to pay more attention to costs, not income. Therefore, representatives of this theory are completely discard deficit. In their view, monetarists exaggerate the state's ability to control cash flows and control them, because in practice monetary policy is repelled by the idea of Keynesian regulation of credit, production and employment, and provides for the stabilization of the monetary aggregates; turning the budget only to the tool of monetary policy is doubtful. Proponents of this theory suggest to the government completely block the state channel unanticipated inflation, and to change money supply in the other way, avoiding deficit. They proclaim the need to use a separate fiscal policy, independent from the monetary policy, and they are convinced into the high efficiency of the tax stimulus.

Since the effectiveness of the abovementioned confrontational measures is quite limited, international experience in finding solutions to the external debt is confined to the use in the state fiscal policy the debt Laffer's curve (Yuhimenko, 2008). Increasing the tax rate generates more tax revenue only to a certain point (Avtonomov, 2002, p. 559); followed by this point further tax rate increasing leads to a decrease incentives for the production, which leads to a reduction in the total tax revenues, i.e. there is a certain optimum tax level, which allows to maximize tax revenues. It promotes the formation of the external debt's level not exceeding the critical level, which allows the state-debtor to maintain acceptable level the external debts and influence to the effectiveness of the external financing at the innovative enterprises in developing countries. Otherwise, the debtor country could default.

However, critics have doubts on the possibility of finding the exact optimal tax point corresponding to the real economic state on the Laffer's curve. The error in the determination of this point leads to the adoption of inadequate economic measures, which implies a further economic destabilization in the country. There is no exact definition of a critical tax rate. If we start from the Laffer's concept, withdrawal from the producers over 35-40% of value added is unfavorable investment for expanded reproduction, which is tantamount to falling into the "tax trap". The ability to maximize tax revenues at two points on opposite sides of the Laffer's curve theoretically can effectively influence the economy. Laffer's effect did not work in Ukraine, as tax cuts in the short-term, according to opinion of many experts, lead to a reduction of budget revenues, and only in the medium-term it can increase tax revenues as a result of business activation. Other proponents of the proposal concept (Lobachyova, 2012) have argued that high taxes are also one of the main causes of inflation. I.e. unlike the monetarists, they stood on the positions of a non-monetary nature of inflation, supposing that higher taxes provoke

costs on the one hand, and on the other hand, allow the government to raise artificially the price of demand for certain goods and services that leads to inefficient use of resources. They see in the unpredictable price increases a way to compensate for the negative effects of such entrepreneurs.

M. Miles underlines (Usoskin, 1989, pp. 39-42) that monetarism would never be able to ensure the stability of prices, because the economy has many alternative forms of financial assets, performing certain financial functions as well as financial innovations that allow to improve the efficiency of monetary circulation and change the demand for the various components of the money supply. Instead of Friedman's monetary rules, M. Miles formulated pricing rule as ensuring stable prices and stable purchasing power of money should ensure "support" the level of long-term interest rates, and commodity prices for forward transactions, when it is necessary to restore the possibility of exchange the dollar to gold, and liabilities of the central bank.

The logic of supporters of supply-side economics (Yuhimenko, 2008) is simple: lower tax rate on income from property (interest and dividends) leads to increased inclination to deposits due to the current consumption, increase the supply of loanable funds and reduce interest rates, helping to revive the investment process. Tax reduction on business income (as well as the tax benefits and depreciation implementation) encourages investment process: the level of paid dividends is increasing and, thus, the market value of assets is growing. It helps to attract external funding and create an additional source of accumulation of internal resources that accelerates economic growth. We can conclude that the tax reduction makes the risk in the short-term to reduce public spending, including spending on social programs.

Inflation is harmful to economic growth and sustainable development (Eatwell, 2004), causing an increase in nominal interest rates and limiting the access to credit for enterprises, resulting in partial paralysis. In conjunction with the excessively high tax rates of corporate profits, there is a reduction of dividends, which is holding back on investment of shareholders equity. Additional inflation tax pressures to the real income in this situation. With the continuous increase in the prices rate (Lobachyova, 2012), duration of capital use increases and the share of obsolete equipment increases that hinders use of achievements of scientific and technical progress and stops economic growth.

When the deficit is covered by public debt, negative situation on financial markets is. Having tried to prevent an acceleration of inflation, the government places on these markets the bulk of the securities and begins to compete with the private sector. By manipulating the interest rate on debt, setting the amount of public loan and its repayment terms, the state closes the possibility to take loans for the private sector, which could be a productive investment. In the financial market these resources go into the sphere of government consumption, mainly non-production that means the displacement of private business from the capital market. It should be noted in these circumstances, that the budget deficit leads to an increase in private demand for money, an increase in interest rates from banks and other financial market participants. For the real economy, especially in the short-term, it is negative phenomenon (Burlachkov, 2005), as the financial and material base of the private capital formation is shrinking, credit becomes more expensive and the investment rate is reduced. Budget deficits or surpluses lead to changes in the public debt that obviously affects the overall demand for loans and interest rates (Yuhimenko, 2008, p. 56), and fiscal policy has a direct influence on the costs and business income. Budget investment directly compete with the private investment concerning to resources that exist in the form of deposits.

RESULTS

Existing external debt of developing countries, along with their inefficient state tax policy contributes to the aggravation of the crisis economic situation in developing countries, therefore, in the current economic conditions it is necessary to use the mechanisms of debt restructuring with one or a combination of methods.

1. Rescheduling is the postponement of debt payments terms or for certain financial flows as later as possible in comparison with previously agreed date with the creditor.

2. Reducing debt is the reduction unpaid part of debt by direct debt relief, its sale at a discount in the secondary market or conversion, i.e. debt cancellation, redemption of debt, securitization and debt-for-shares of national companies.

Complete debt cancellation (discounting) is a write-off agreed sums under the payment guarantee of the rest part of the debt. It is carried out on a bilateral or multilateral basis concerning to debts, which cannot be paid in the medium-term in any, even the most favorable, circumstances and conditions for the debtor. Selling debt in the secondary market at a discount from the nominal value is used quite often, especially by creditors of Latin America in order to return a part of old loans. This mechanism is used, when the country's external liabilities exceed its solvency. Such a situation does not stimulate economic growth, since the additional revenues are used to repay foreign debt. Additional debt burden reduces the country's income and slows domestic investment.

Redemption of debt by the country-borrower on the open market with a significant discount, even with large gold reserves. It creates a situation where it is beneficial to buy own debts for the state-borrower with a discount for their partial cost, because that will reduce the country's external debt. However, such a settlement of external debt is complicated by two objective circumstances: 1) violates the priority principle, since the borrower will seek to repurchase debt with the largest discount; 2) there is an effect of reverse selection, when the worst borrowers get the high advantages, whose debts are sold to the highest discount. If the borrower decides to buy its debt with the creditors consent, it is possible to agree the ransom size. Such redemption is beneficial to creditors, if it increases the probability of servicing and repayment of the rest part of the debt in the future.

The next stage to solve the problem of external debt is the use of *debt securitization*, since the early debt redemption creates two limitations: the size of foreign exchange reserves of the country-debtor and creditors view on the certain debts repayment. Securitization allows overcoming these limitations. It is mechanism of a new debt emission by the debtor in the form of bonds, which are exchanged for old debt or sold on the open market. In case of sale, money is sent to the old debts repayment. If the new debentures are sold on the financial market with a smaller discount, then such exchange transaction results in a reduction of total external debt of the country-debtor. Securitization is popular with private banks. Such a scheme of restructuring the external debt is effective only in case of an agreement between the creditors and borrowers for the recognition of the new debt priority concerning to old debts. Otherwise, the new debt will be sold with the same discount as the old debt; and benefits of securitization will be absent.

Direct exchange (swap) of debt to the stocks of state companies is mostly often used in the exchange of external public debt to shares of domestic enterprises. It is also possible to give to creditors the rights to sell debts with a discount for the national currency in the secondary market; if later they will be able to buy the shares of local enterprises. Swaps allow solving two problems simultaneously: 1) to reduce external debt and 2) to ensure the capital flow in the productive sectors of the economy. However, this mechanism is faced with problems that create an unfavorable situation for creditors. Government external debt has a rigid schedule of payments, and in the case of debt transfer into the national companies' shares, debt refund depends on a number of economic factors, i.e.: 1) level of domestic and foreign inflation; 2) exchange rate policy; 3) fiscal policy, etc. Moreover, the state gets not real investment in the economy at the debtor's cost, but just transfers earlier credited and long-used financial funds.

One of the most attractive debt trade schemes is *to buy debt at a discount in the form of debt securities*, which are exchanged for the national currency for further purchases of shares in other companies in the country or for investment into the new companies. It is beneficial to all parties: banks-creditors change doubtful debts into the national currency; companies get additional capital and exempt from onerous foreign loans and obligations.

Recapitalization is the debt exchange for bonds of debtor companies or granting new loans with the purpose of past debts payment. It is possible to change the structure of the capital

movement by attracting foreign direct investment and exchange them on the company's debt. Direct investments do not lead to an increase in gross capital formation; they may include the acquisition of existing assets in the acquired companies. The inflow of private crediting includes a large part of the short-term component that contributes to the rapid capital movement between countries in case of exogenous differences, especially in the discount rates, inflation and exchange rates. This factor aggravates the precarious situation of many developing countries in international capital markets.

CONCLUSIONS

External debt restructuring mechanism varies depending on the balance of payments of each country, its relations with creditors and the nature of its current economic policy. But in any cases, on the first stage net flows on debt is usually restructured, i.e. payments of interest and principal payments, on the second stage the total external debt is restructured. Here's the main objective – debt relief for the debtor country and the need for enforcement of radical structural changes (favorable to the creditor), which could contribute in the long-term to the payment of the debt rest. At the beginning of the debt crisis, commercial banks started to resort the conversion of credit requirements into investment; exchange of credit requirements for short-term maturities to the long-term low-interest bonds denominated in the reserve and national currency; sale of credit requirements in the secondary market with a significant discount from nominal value with redemption of certain difference, where the buyer of requirements can be debtors. However, these methods of external debt settlement do not useful, although the demand for debt has increased.

Thus, nowadays there is no effective solution of the high external debt problem. Existing methods for solving external debt problems have a number of lacks. Therefore, it is necessary to study fully each particular case in the settlement of external debt, minimizing the influence of the negative consequences for the debtor country and taking into account socio-economic and political factors.

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COMMERCIAL EFFICIENCY OF INVESTMENT PROJECTS IN MODERN RUSSIAN ECONOMY

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Abstract: The country status in the world community in many respects is defined by its global competitiveness. Experience of economically developed countries showed that competitive fight on the world market inevitably is won by the one who owns the most efficient mechanism of innovative activity. The last twentieth anniversary and the beginning of the XXI century are estimated by XX as the period scientific and technical innovations. This component of scientific and technical progress allows to recover economy and to keep its competitiveness.

Keywords: commercial efficiency, innovation project, cash flow, innovation, capex, liquidity, profitability

INTRODUCTION

Commercial effectiveness (financial justification) project is defined by a ratio of financial expenses and the results providing demanded standard of profitability, and calculates both for the project as a whole, and for certain participants taking into account their deposits (the main indicators are given in *Table 1*).

Table 1

Indicators of economic efficiency of innovation

| No. | Name | Formula |
|---|---|---|
| Discounted indicators | | |
| 1 | The pure given effect or net current value (<i>Net Present Value</i>) | $NPV = \sum_{t=1}^n \frac{CF_t}{(1+r)^t} - \sum_{t=1}^n \frac{I_t}{(1+r)^t}$, where CF _t is cash flow in the end of t period; I _t is investment expenses in t period; r is discounting coefficient. |
| 2 | Index of profitability of investments (<i>Profitability Index</i>) | $PI = \sum_{t=1}^n \frac{CF_t}{(1+r)^t} : \sum_{t=1}^n \frac{I_t}{(1+r)^t}$ |
| 3 | IRR (<i>Internal Rate of Return</i>) | $IRR = r, \text{ when } \sum_{t=1}^n \frac{CF_t}{(1+IRR)^t} - \sum_{t=1}^n \frac{I_t}{(1+IRR)^t} = 0,$ |
| 4 | <i>Modified Internal Rate of Return</i> | $MIRR = r, \text{ when } \sum_{t=0}^n \frac{I_t}{(1+r)^t} = \frac{\sum_{t=0}^n CF_t \cdot (1+r)^{n-t}}{(1+MIRR)^n},$ |
| 5 | <i>Discounted Playback Period</i> | $DPP = \min T, \text{ when } \sum_{t=1}^n \frac{CF_t}{(1+i)^t} = \sum_{t=1}^n I_0$, where $\sum_{t=1}^n I_0$ is sum of all investments. |
| The indexes based on registration estimates | | |
| 1 | <i>Playback Period</i> | $PP = \min T, \text{ when } \sum_{t=1}^n CF_t = \sum_{t=1}^n I_0$ |
| 2 | Effectiveness ratio of investment (<i>Accounting Rate of Return</i>) | $ARR = 2 \cdot PN / (I + RV), \text{ where}$ RN is net income; RV is residual cost. |

Source: created by author

MATERIALS AND METHODS

The main approaches to calculate indexes:

- The discounted payback period is defined as time necessary for achievement of positive value of the net discounted income.
- The internal standard of profitability is defined as a rate at which the net discounted income is equal to zero.
- If the discounted cash flows on steps change the sign more than once, count the modified internal standard of profitability (MIRR) which equalizes the discounted cost of the cash flows reinvested on a rate of discount, with the current cost of capital investments.

Indexes of the budgetary effectiveness reflect influence of results of exercise of the project on the income and expenses corresponding (federal, regional or local) the budget. The main index of the budgetary effectiveness used for justification of measures provided in the project of federal and regional support is the budgetary effect (*Table 2*).

Table 2

Balance of appeal of the innovative project for the state

| <i>Budget income</i> | <i>Expense budget</i> |
|--|---|
| income from taxes (e.g. VAT, excises), duties, collecting, contributions to off-budget funds; income from licensing, competitions and tenders for investigation, construction and operation of objects; payments in repayment of the credits which have been given out from the relevant budget by participants of the project; payments in repayment of the tax credits; commission payments to the Ministry of Finance of the Russian Federation for maintenance of the foreign credits; dividends on belonging region or the state to actions and other securities issued in connection with realization of SP; receipts in the budget of a tax on the income of the Russian and foreign workers added for performance of work, bound to SP realization; receipts in the budget of a payment for using the earth, water, a subsoil and other natural resources from the enterprises realizing SP; penalties and sanctions, bound to SP, for irrational use by the material, fuel and energy, natural resources. | granting budgetary (in particular, state) resources on the terms of fixing in property of appropriate authority of management (e.g. in federal state ownership) parts of actions of joint-stock property; granting the budgetary resources in the form of the investment credit; granting the budgetary resources on a gratuitous basis (subsidizing); budgetary grants, bound to carrying out particular price and tariff policy to keeping of socially particular priorities; the credits Central, the regional and authorized banks, allocated as the borrowed funds, which are subject to compensation for the account of the budget; payments on grants for the persons which have remained without work in connection with SP realization; payments on the state securities; the state guarantee of investment expenses to foreign and domestic investors (at realization of insured events); the funds allocated from the budget for elimination of consequences, SP, which have arisen at realization of emergency situations and compensations of other damage; tax privileges. |
| <i>BALANCE = Budget income – Expense Budgets</i> | |

Source: created by author

The index of total amount of the taxes which have entered in the budget from implementation of the innovative project, allows to consider interests of the state and tax services and on this basis by means of express system of tax privileges to increase interest of the enterprises in realization of innovations and acceleration of scientific and technical progress in the country. The priority of the state will be given to innovative projects with positive balance. The model of calculation of the income of the state, i.e. model of the budgetary effectiveness of the innovative project [1] is given below by the formula (1):

$$CFG(t) = Taxes(t) - CreditG(t) + InterestG(t) + PrincipalG(t) - AG(t) + DivG(t) \quad (1)$$

where $CPG(t)$ is cash flow of state in the period t ;
 $Taxes(t)$ is total amount of the taxes paid to the state, during the period t ;
 $Credit G(t)$ is the sum of the budgetary loan issued within the project during the period t ;
 $Interest G(t)$ is the sum of the percent paid on the budgetary loan during the period t ;
 $Principal G(t)$ is return of the main amount of debt on the credit during the period t ;
 $AG(t)$ is receipts in authorized capital in a monetary form from the state in the period t
 $DivG(t)$ is the dividends paid to the owner state in the period of t in a monetary form.

By means of this model it is possible to calculate values of basic criteria of effectiveness (NPV, IRR, RVR and PI) of participation of the state in the innovative project and on the basis of their values to attract government bodies of management.

RESULTS

According to authors, for an assessment of effectiveness of the project, there are not enough indicators given in methodical recommendations. It is necessary to add them with indexes of production effectiveness of the innovative project (*Table 3*).

Table 3

Main indexes of production effectiveness of the innovative project

| Indicator | Formula |
|--|--|
| Net production created at the expense of the innovative project | $\chi\pi = T\pi - M - A$, where $T\pi$ is the volume of production made at the expense of implementation of the innovative project, counting on year, rubles; M is the material inputs on production, rubles; A is the annual sum of the added buffer action on the fixed assets used at implementation of the innovative project, rubles. |
| The income due to implementation of the innovative project | $\Delta = T\pi - M - Z = \Pi + A$, where Z is labor costs (with assignments on social needs) in part, bound to exercise of the innovative project, rubles; Π is profit counting on a year from implementation of the innovative project, rubles. |
| The net income created at the cost of implementation of the innovative project | $\Delta_q = \Delta - H$, where Δ is income gained at the expense of implementation of the innovative project, rubles; H is total amount of the taxes paid to the budget and in off-budget funds in part, falling into created on the basis of the innovative project, rubles. |
| The net profit got from implementation of the innovative project | $\Pi_q = \Pi - H$ |
| The profitability of production received from implementation of the innovative project | $P_{\pi\chi\pi} = \frac{\Pi_q}{P\pi} \cdot 100$, where $P\pi$ is the sales volume received from implementation of the innovative project, counting on year, rubles. |

Source: created by author

Total amount of the income (profit plus buffer action) reflects possibilities of the enterprise in production development (accumulation fund), developments of the social sphere and for payment of taxes in the budget. If the specific gravity of the income in the total amount of a value added, including buffer action as a result introduction of an innovation increases; it will provide increase of effectiveness of work and expenses on its payment, and also the material and financial resources [2].

The common profitability of the capital directed on introduction of an innovation, allows drawing a conclusion on compliance to its level reached by the enterprise for effectiveness of use of the fixed business assets and production stocks.

Special attention needs to be paid to an assessment of effectiveness of innovative projects directed on decrease in product cost. In 2006 due to introduction of innovations manufacturing costs decreased at every second innovation in active enterprises.

The sequence of calculation of economic effect of an innovation in this case consists of the following: 1) All initial information necessary for scoping of investments and the complete product cost within development of the innovative project (new technology) is prepared; 2) The capital investments necessary for implementation of the innovative project is paid off; 3) The relative economy (economy from decrease in prime cost) as a result of implementation of the innovative project which is compared to capital investments is defined; 4) Comparative and analytical efficiency factors of innovative project are paid [3].

The solution of this task allows defining influence of implementation of the project on overall performance of the enterprise that will allow solving problems, bound to an assessment of effectiveness of the capital investments directed on increase of a technological and economic level of production. This research has gained development in works of E.I. Krylov, V.F. Lysyakova, P.L. Vilensky, A.A. Kolesnikov, V.V. Lunina et al.

DISCUSSION AND CONCLUSIONS

The following indicators of an assessment of effectiveness of innovative projects directed on decrease in product cost are given by the formula (2):

$$\Delta C_{vt} = V_t \left(\frac{I_{y\pi}}{I_{vt}} - 1 \right) \frac{Y_{y\pi}}{100} S_\phi, \quad (2)$$

where ΔC_{vt} is the relative decrease in product cost at increase in output in year of t, rubles; V_t is output of products in a year / at implementation of the project, units; $I_{y\pi}$ is index of change of conditional and constant expenses at increase in output, which is calculated by the formula (3):

$$I_{y\pi} = I_{y\pi\pi} / I_{y\pi\phi}, \quad (3)$$

where $I_{y\pi\pi}$, $I_{y\pi\phi}$ are annual conditional and constant costs of production respectively after and before implementation of the project, rubles (or %).

I_{vt} is index of change of output, which is calculated by the formula (4):

$$I_{vt} = V_t / V_\phi, \quad (4)$$

where V_ϕ is the actual output of products before implementation of the project, units; $Y_{y\pi}$ is specific gravity of conditional and constant expenses in product cost, %; S_ϕ is actual cost of a unit of production before implementation of the innovative project, ruble/unit.

Prime cost change at introduction of an innovation depends also on a ratio of rates (indexes) of change of an average salary of workers of the enterprise and efficiency of their work. Its size can be determined by a formula (5):

$$\Delta C_{NMT} = V_t \left(\frac{I_{3\pi}}{I_{NM}} - 1 \right) \frac{Y_{OT} + Y_{CM}}{100} S_\phi, \quad (5)$$

where ΔC_{NMT} is decrease in product cost owing to the increase of labor productivity caused by introduction on the enterprise of an innovation, in a year/rubles; $I_{3\pi}$, I_{NM} are respectively indexes of change of an average salary and labor productivity at the enterprise at

introduction of an innovation, unit share; Y_{OM} , Y_{CM} are respectively a specific gravity in cost of products of expenses on compensation and assignments on social actions, %.

The most efficient level of managing is provided with a profit increase due to the relative economy of product cost, i.e. at the expense of intensive factors. As a result of action of intensive factors the increase of production and profit is reached due to involvement in production of the saved resources: labor, material and financial.

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COMMON BASIS OF CONTROL AND AUDIT

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Abstract: *The article is devoted to the common elements of control and audit. This is important to use an aggregate methodology for various control activities and audit procedures. It describes the elements of the control system according to Prof. Robert Anthony which are used to analyze the processes of the main types of audits. Thus the connection between the control and the audit is established. The conclusion is that the audit procedures may be used for other types of controls.*

Keywords: *control, audit, control systems, elements of control, types of audits*

INTRODUCTION

Since 1950s in the world have been established a few basic concepts that are related to the control such as management control, internal control, and audit. But today there is no single methodology for them. This is an essential problem because the independent studying of the concepts does not allow using the best practices. It is necessary to investigate the relationship between the control and the audit, including their common elements. This is the main *aim of the article*. To achieve it are examined the works of the western authors. The main reason for this is today's European practices are the result of their theories.

MATERIALS AND METHODS

In the research are used methods of analysis and synthesis. Theoretical and methodological basis of the study are the scientific works of the following authors:

- Robert Anthony and Vijay Govindarajan [1, 2] wrote about control system and management control; and
- Robert Moeller [3] described internal control.

These authors are chosen because they are the famous in the control theory in the world. At the first stage of the research are examined the elements of the control. At the second stage are analyzed types of audits and their control elements. At the final stage are investigated the relationship between controls and audits.

The study is limited to the control and audit in the financial-accounting area.

DISCUSSION AND RESULTS

Authors of management control avoid examining the connection and interaction between different control disciplines. For example, Anthony and Govindarajan in 1992 distinguish management control from internal audit. According to these authors, the management control is function of the controllers or the chief financial officers. The internal audit helps to ensure reliable information, reduce frauds and increase the effectiveness and efficiency [2, p. 18].

It is possible to say that Anthony and Govindarajan defined the internal audit with the internal control purposes. But this presentation is not complete, because in the evaluation of the effectiveness and the efficiency of internal control some authors include the budget control, while others state that the internal audit is included in the tasks of controllers. Probably due to this controversy the authors "solved" the problem in next editions where they did not comment this relationship [1]. The authors retain comparisons between management control, strategic planning and control of tasks, and analysis of the relationship between management control and management accounting.

These weaknesses are typical also for authors of internal control. They consider it as the only control system in the company [3, p. 71].

Authors of control do not explain the relationship between controls and audits. Auditors use only internal control in the auditing.

In order to see a common basic of control and audit it is necessary to analyze their common elements. It is important to point out that researchers, who seek to know the nature of the control systems in all areas, often consider the view of Prof. Robert Anthony. He explains the controls as follows [1, p. 2]:

"In an automobile if an accelerator is pressed it goes faster, when the brake pedal is pressed it slows down or stops, when the steering wheel is rotated it changes its direction. With these devices, the driver controls the speed and direction of the vehicle. If any of these devices does not work, the automobile will be out of control".

According to Prof. Anthony every control system has at least four elements [1, p. 2]:

1. A detector or sensor as a device that measures what is actually happening in the situation being controlled.

2. An assessor i.e. a device for determining the significance of what is happening in comparison with some standard or expectation.

3. An effector as a device that alters behavior if the assessor indicates the need. This device is often called "feedback".

4. A communication network, i.e. devices that transmit information between the detector and the assessor and between the assessor and the effector.

It is undisputed that the management control and the internal control include the above basic control elements. Interesting is the meaning of these elements for the audit. In the audit is reported whether the subject complies with the criteria. This means that it includes:

- the establishment what is actually happening (a detector);
- comparison with the standards (an assessor);
- reporting (as part of a communication network).

The element of effector is missing here. It is performed by other persons as a result of the audit.

There are three basic types of audit: financial audit (audit of financial statements), management (operational) audit and compliance audit. They have different subjects: information (financial audit), results (management audit), and processes (compliance audit).

It is important to examine the control elements of these audits. In the financial audit is established whether the financial statements comply with accounting standards. Based on the auditor's opinion owners regulate (accept or not accept) financial statements prepared by the management. The whole process can be defined as a control of the information, with the following elements:

- a detector where the auditor determines the actual state of the statements;
- an assessor where the auditor compares statements with the requirements of accounting standards;
- an effector based on the auditor's opinion owners accept or not accept the financial statement;
- a communication network gathering information and its reporting to the owners.

In this case, the auditor becomes a detector and an assessor. Based on its opinion is performed regulation (an effector).

The accepted statements by the owners are also used for control purposes. The owners make decisions about the managers and their own shares (control of the top managers by the owners). This control includes following elements:

- a detector, where the owners see the actual financial results, based on the audited and the accepted financial statements;
- an assessor, where the owners assess whether the financial results meet their expectations;
- an effector for the owners to make decisions;
- a communication network as the nervous system of the owners, examination of the information on the results and the subsequent behavior of the owners.

It can be seen that in this control a detector and an assessor are the owners. But this does not mean that they are not part of the audit process. In this regard are interesting following statements of Robert Moeller "At its most primitive level, a self-assessment or internal auditing function can exist when any single person sits back and surveys something that he or she has done. At that point, the individual asks him or herself how well a particular task has been accomplished and, perhaps, how it might be done better if it were to be done again. If a second person is involved in this activity, the assessment function would be expanded to include an evaluation of the second person's participation in the endeavor. In a small business, the owner or manager will be doing this review to some extent for all enterprise employees. In all of these situations, the assessment or internal audit function is being carried out directly as a part of a basic management role. However, as the operations of an organization become more voluminous and complex, it is no longer practicable for the owner or top manager to have enough contact with every aspect of operations to satisfactorily review their effectiveness. These operations review responsibilities need to be delegated" [3, p. 5].

In this text it can be seen that, according to Moeller there are three types of surveys (a detector) and evaluations (an assessor):

- any single person surveys something that he or she has done;
- an owner (or a manager) evaluates of any person's performance;
- delegating of responsibilities to another person to evaluate worker's performance.

Regardless of the person who performs surveys and evaluations it can be argued that they are elements of the audit.

The claim that the detector and the assessor are the elements of the audit can be verified by analyzing the other types of audits.

Management audit is used to control of the financial results (management control). The elements of the control system here are the following:

- a detector as the auditor measures indicators of effectiveness and efficiency;
- an assessor as the auditor assesses whether the effectiveness and efficiency deviate from the budgets;
- an effector helps the owners to make decisions;
- a communication network as computer systems, minutes of meetings, auditor's reports, etc.

Compliance audit is a tool for the control of the processes (implemented mainly with the internal control). Control elements in this control are the following:

- a detector means the auditor establishes how the processes work;
- an assessor means the auditor assess whether the processes are carried out according to the requirements;
- an effector is based on the auditor's opinion where individuals take corrective measures to the process;
- a communication network as computer systems, minutes of meetings, auditor's reports, etc.

In addition, it should be noted that the control of the top managers by the owners use financial accounting, the management control use the management accounting. About the control of the processes the bookkeeping is important (systematic records of the economic transactions). Thus, the relations between accountings, controls and audits can be shown in *Table 1*.

CONCLUSION

To conclude, it can be claimed that the audit is a part of the control process. Therefore, some well-designed audit procedures can be applied to the other controls. For example, it is possible the procedures for an assessment in the financial audit to use for an assessment in the tax control. This approach could be used to develop the control practices of different auditors. At the same time it should be noted that the control and the audit have some features in their performance.

Table 1**The relations between controls, audits and accountings**

| Accounting | Control | Audit |
|-----------------------|--|--|
| Bookkeeping | Control of the processes (implemented mainly with the internal control) | Compliance audit |
| Management Accounting | Control of the financial results (management control) | Management (operational) audit |
| Financial accounting | Control of the top managers by the owners, based on the control of the information | Analyzing and assessing the financial results to make decisions, based on the audited financial statement (by the financial audit) |

Source: created by author

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MANAGEMENT OF THE TRADE ENTERPRISE'S POTENTIAL IN THE INTERNATIONAL COOPERATION

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Abstract: *The essence, the content and the main components of the process of the trade enterprise's potential management in the international cooperation are researched in the article. The theoretical and the practical implementation of the current process is considered. The main directions for improving the procedure of the trade enterprise's potential management are determined. Proposed scheme of the trade enterprise's potential managing in the international cooperation is based on the integrated potential's wholeness and includes the process-system approach that allows forming an effective mechanism of the potential's management and contributes to the transformation of the potential opportunities into its benefits.*

Keywords: *management, trade enterprise's potential, approaches to the enterprise's potential management, properties of the potential, process-oriented approach, principles of the trade enterprise's potential management in the international cooperation*

INTRODUCTION

The market transformations in Ukraine, the rates of change of the competitive economic conditions, economic globalization, and expansion of the inter-section integration and internationalization of the modern business are determining the necessity of the rapid enterprises' respond on the external environment's changes. Under current conditions the requirements to the modern trade enterprise's management are increasing, the importance of the evaluation of the current enterprise's management policy and the determination of the reserves of its functioning improving is rising. At this stage each trade enterprise faces the matter of determining its available potential. In other words it has to define the measure in which the trade enterprise is ready to the certain kind of tactical and strategic changes, and how much it responds to the external environment's requirements which are dictated by the market. The trade enterprise is to identify the scale of the economic substantiality which is already possessed by it, and which is necessary to be maximized. This is what necessitates the development of the effective methods of the trade enterprise's potential management as the main factor which guarantees its success on the market and indicates the level of the effective trade enterprise's functioning in the international market.

The topic of the investigated subject is stipulated by the suspense of the theoretical, scientific-methodological and practical problems, which are connected with the trade enterprise's potential management in the international cooperation under the conditions of the dynamic economic development.

MATERIALS AND METHODS

Various researches of the potential management issues have been repeatedly carried by both Ukrainian and foreign scientists such as O. Arefieva, O. Korenkov [1], O. Gudzinskiy [2], O. Kapinos, O. Radiuk [4], N. Krasnokutska [5], E. Lapin [6], I. Otenko [7], E. Popova, O. Fedonin, etc. Principally new approaches to the research of the matters of enterprise's potential forming, management and development are highlighted in the works of the scientists. However, at the same time some certain theoretical and methodological developments of the potential management, mechanisms of its functioning and regulation concern manufacturing industry's enterprises while not considering the peculiarities of the trade enterprises functioning.

RESULTS

As the results of the conducted researches have shown there are a number of unresolved problems in the sphere of the trade enterprise's potential management when entering

the international market. First and foremost it is caused by the absence of the conventional position as to the approach to the process of the trade enterprise's management by itself.

The *purpose of the article* is to determine the approach to the trade enterprise's potential management in international cooperation.

The essence of the management in its most general aspect is determined as the process of the purposeful, systematic influence on the particular system, which is implemented by different methods. The purpose of such influence is to support this system in a certain stable state or to change its state according to the enterprise's aims and taking into account all its objective characteristics and patterns. To manage is to lead the enterprise to its target, extracting maximum of the opportunities from the available resources [9, p. 16].

Studying the economic literature has allowed to state that for the modern scientific literature in management theory it is typical to exude several approaches to the process of the enterprise's management.

Thus E. Lapin proposes to understand the enterprise's economic potential management as the process of making and implementation of the management decisions which are directed to the rational use, optimization and escalating of the enterprise's economic potential for the purpose to achieve the aims and ensure sustainable operating and development of the enterprise. The main tasks of the enterprise's potential management are its forming, using and reconstitution [6, p. 21].

O. Arefieva and O. Korenkov follow the same approach. They identify three stages of the enterprise's potential management: forming, exploitation and development (*Figure 1*).

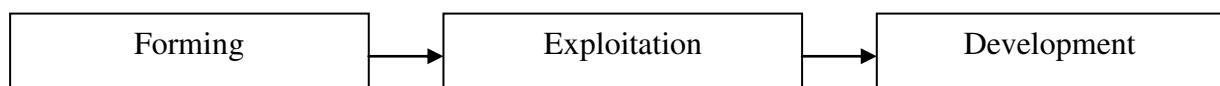


Figure 1: Scheme of the enterprise's potential management

Source: created by author according to [1, p. 36]

While forming the potential enterprise has to realize managerial processes from general to partial, from synthesis to analysis. It will ensure the system and complex during the reasoning of the potential's components as real opportunities and concrete advantages. Thereby management of the potential forming is to be considered as a system [2, p.13]. Some scientists [8, p. 24] agree to believe that the enterprise's potential management lies in determining the degree of necessity and expediency of involvement of the available resources of a functional potential. Besides they consider it lies in the creation of system of measures according to which these reserves can be used in the work and revealed in the final results of activity.

L. Fedulova proposes the sequence of the enterprise's potential management through the four-level scheme of the profit management [10, p. 157]. A. Egorov and L. Nickelin approach to this process through the enterprise's staff. They emphasize on the knowledge (qualification and professionalism) and on the human resources as the main factors of economic growth.

N. Krasnokutska disclosed the essence of the enterprise's potential as "the opportunity of the enterprise's recourses and competences to create the result for the interested person with the help of business-processes' realization". She accents the necessity of the enterprise's potential management through the interaction and connection of its component elements [5, p. 7].

Summarizing of the existing approaches to the enterprise's potential management has allowed defining that approaches' content and specificity are determined by the essence and the peculiarities of the management itself. The three approaches are identified by us on this basis (*Figure 2*).

Taking into account the variety of the approaches to the essence of the "enterprise's potential" concept we can affirm about its multilevel and multidimensional nature. The content of this term is revealed in the complex of its manifestation, and its main target is to increase the effectiveness and competitiveness.

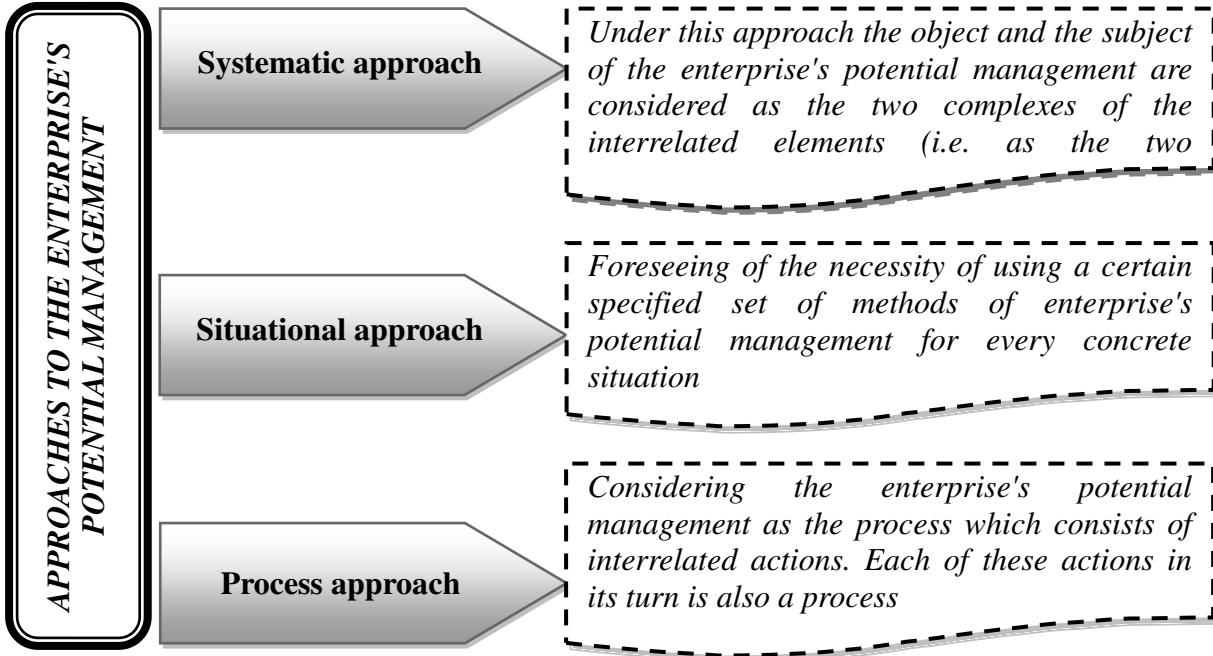


Figure 2: Systematization of the approaches to the enterprise's potential management

Source: created by author

Based on this the process of the trade enterprises potential management in international cooperation is to be formed considering the following features of its potential [7, p. 52]:

- Dynamic is the structure, the qualitative condition and the potential's rate of the enterprise are changing.
- Inertia is the change of the enterprise's potential and starts some time after the beginning of the changes' influence in an external and internal environment and continues some time after.
- Flexibility is the speed of the potential's change depending on the potential's rate itself.
- Stability is the process of the trade enterprise's potential management gasps for the equilibrium and stabilization of the changes diapason of all potential's components.
- Synergistic is focused and coordinated interaction of all the potential's components, creating an effect much greater than their sum.

When ensuring the efficiency of the process of the trade enterprise's potential management the most difficult thing is not only the task of the listed properties accounting and the hidden ones searching, but also forming and developing of the ones which are necessary for the strategic aims of the trade enterprise's development.

In a modern dynamic environment traditional potential management methods are no longer provide the opportunity of making correct and effective decisions. It stipulates the necessity of using the innovative approaches which are able to provide the success of the trade enterprise in a long-term perspective. Representing of the enterprise through the business-processes lens is one of the main factors of trade enterprise management's transparency. Based on this we consider it appropriate to use the two approaches to the trade enterprise's potential management in the international cooperation: the process-oriented approach and the systematic approach.

When using the process-oriented approach (Activity-based management) the attention is focused on the interrelation between the separate actions, each of which in its turn is a process (formalization and automation of the management process structure will give the opportunity of reaching the common goal of the trade enterprise's potential management). And the system management orientation, in its turn, will allow realizing the managing actions, which are oriented on the forming and supporting of the key factors that influence the

forming, managing and using of the trade enterprise's potential. Based on this the process-oriented approach to the trade enterprise's potential management will help in the achievement of the main purpose, which is to create and to substantiate the theoretical and methodological support of the effectiveness of using of all the trade enterprise's potential components and to create the priority strategic directions of its development.

To achieve the goal the next tasks are to be performed at the trade enterprise in the managing process such as: ensuring the inside balance of all the potential components and their optimization; ensuring the accordance of the turnover volumes to the enterprise's potential; determining the level of unrealized potential and detection of hidden opportunities and the ways of its realization; justification of strategic alternatives and operational measures to improve the trade enterprise's potential; ensuring the personnel interest in the increase of effectiveness of using the enterprise's potential.

The need of taking into account the trade peculiarities when creating the managing process has stipulated the specific list of the principles of the trade enterprises' potential management in the international cooperation. The main principles of the trade enterprise's potential management are: 1) purposefulness; 2) continuity; 3) flexibility; 4) balancing; 5) optimal resources using; 6) ability to react on changes; 7) efficiency and effectiveness.

The performed principles are to take into account the peculiarities of the trade enterprise's potential management, specific conditions and factors of their development.

The essence, purpose, tasks and principles considered in the article, constitute the theoretical support for the process of development and implementation of trade enterprise's potential management in the international cooperation.

The scientific and methodological support, which content lies in the identifying of the major trends and patterns, is the next integral component of this process. The main difficulty of the managing and forming of the enterprise's potential lies in the necessity of studying all components in the interrelation and dynamics.

Potential's forming and developing patterns may be disclosed through the analysis of its components and making connections between them. The principle of sphere of influence on the potential elements is to lie on the basis of these factors system construction. In accordance with this principle all the factors may be classified into external and internal relatively to the potential's forming and development [4, p. 135].

Practical providing of the process of the trade enterprise's potential management while entering the international level, assumes the quality evaluating of the system of the trade enterprises' potential management and defining "the narrow places" and detecting the key factors of its development process success.

Basing on the enterprise's potential properties which have been singled in the result of the conducted researches [11, p. 153] (its complexity and the special role of competitive positioning on the market), solving of the task of ensuring the effective trade enterprise's potential management, acquiring the great importance. Properly organized and efficiently functioning system of the trade enterprise's potential management has to provide in the final case an appropriate level of this potential's competitiveness. It means to provide also the long-term development of the trade enterprise itself. This system's elements must primarily solve the task of potential's forming, qualitative evaluating, implementing and developing, according to the enterprise's targets.

Proposed approach to the trade enterprise's potential management in the international cooperation is considered not statically but based on the strategy and in the contest of the possible enterprise's development. It stipulates the necessity of determining of the organizational and methodological providing elements of the potential management process. Implementation of its main stages is directed on the providing of the trade enterprise's long-term sustainable development.

Improving of the process of the trade enterprise's potential management, except the reasoning of its managing strategies, assumes determining of unrealized trade enterprise's potential. The realization of this potential in the future period, including alternatives of

development and different options of external environment changes (realistic, optimistic and pessimistic), will permit the trade enterprise to reach a new development level according to the strategic targets.

DISCUSSION AND CONCLUSIONS

Proposed scheme of the trade enterprise's potential management in the international cooperation is based on the integrated potential's wholeness and takes into account the process-system approach that allows forming an effective mechanism of the potential's management and contributes to the transformation of the potential enterprise's opportunities into its potential benefits. And interaction and complex use of all the elements of the proposed approach to the trade enterprise's potential management will facilitate more rational resources usage, providing of the more effective usage of the cumulative potential, and also providing sustainable development of the trade enterprise in the future.

Perspectives of further researches are development of methods for evaluating the quality of the system of the trade enterprise's potential management in the international cooperation.

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