

У випуску представлені дослідження актуальних проблем економічної теорії, страхування, управління ризиками, перестрахування, державного управління, міжнародної економіки, економіки підприємства, менеджменту, маркетингу, управління інвестиціями, теорії фінансів, банківської справи, статистики та шляхи й засоби вирішення цих проблем.

Для наукових працівників, практиків, викладачів, аспірантів, студентів.

В выпуске представлены исследования актуальных проблем экономической теории, страхования, управления рисками, перестрахования, государственного управления, международной экономики, экономики предприятия, менеджмента, маркетинга, управления инвестициями, теории финансов, банковского дела, статистики, а также пути и средства решения этих проблем.

Для научных работников, практиков, преподавателей, аспирантов, студентов.

The research results on current problems of economic theory, insurance, risk management, reinsurance, public administration, international economics, business economics, management, marketing, investment management, theory of finance, banking, statistics, the ways and means of solving these problems are released in the issue.

For researchers, practitioners, teachers and students.

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SUSTAINABILITY OF FARMING ENTERPRISE – UNDERSTANDING, GOVERNANCE, EVALUATION

This article gives answers to following important questions: "what is sustainability of farming enterprises" such as individual and family farms, agri-firms of different types, agri-cooperatives, etc.", "what are the mechanisms and modes of governance of sustainability of farming enterprises", and "how to evaluate the sustainability level of farming enterprise and efficiency of its governance". First, evolution of the "concept" of sustainability of farming enterprise is discussed and more adequately defined as ability of a particular enterprise to maintain its managerial, economic, social and ecological functions in a long term. Second, institutional, market, private, public and hybrid mechanisms and modes of governance of farming enterprise's sustainability are specified. Third, a specific for the conditions of East-European agriculture framework for assessing sustainability level of farming enterprise and efficiency of its governance is suggested. Ultimate goal is to assist farming enterprises' management and strategy formation as well as improvement of public policies and forms of public intervention in agrarian sector.

Keywords: *farmingenterprise, sustainability, governance, assessment, managerial, economic, social, ecological aspects.*

Introduction. The issue of governance and assessment of sustainability of farming enterprises of different type is among the most debated by researchers, farmers, businessman, policy-makers, interest groups, and public at large (AndreoliM. and V Tellarini; Bachev; Bachev and Petters; Bachev and Nanseki; Bastianoni et al.; Berge and Stenseth; Beerbaum; Brklacich et al.; Daily et al.; De Molina; Edwards et al.; EC, Epp; FAO; Farah and Gomez-Ramos; Fuentes; Hani et al.; Hansen; Hayati; Garcia-Brenes; Kremen et al.; Lawandowski et al; Lowranceet al.; Mirovitskaya and Ascher; OECD; Raman; Rigbyet al.; Sauvenier et al.; UN; VanLoop et al.).

Despite enormous progress in the theory and practice in that new area, still there is no consensus on "what is sustainability of farming enterprises", "which are mechanisms and forms for its governance", and "how to evaluate sustainability level of farming enterprise and efficiency of its governance". In academic publications, official documents and agri-business practices there is a clear understanding that "farm enterprise's sustainability and viability" is a condition and an indicator for agrarian sustainability and achievement of sustainable development goals. Also it is widely accepted that in addition to "pure" production and economic dimensions, farm enterprise sustainability has broader social and ecological aspects, which are equally important and have to be taken into account. However, most of the assessments of agricultural sustainability are at industry, national or international level (FAO, OECD), while the important "farm level" is usually missing (Thus important links between farm management and impacts on agroecosystems are not studied (Sauvenieretal)). Often farms and agrarian sustainability unjustifiably are equalized while the latter has larger dimensions including: sustainability of farms, importance of individual farming enterprises in the overall resources management and socio-economic life of households, region and industry; collective actions of diverse agrarian agents; overall (agrarian) utilization of resources and impacts on natural environment; and amelioration of living and working conditions of farmers and rural households; overall state and development of agriculture and rural households (participation in) overall social governance; food security, and conservation of agrarian capability, etc. [7].

Furthermore, in most cases a holistic approach is not applied, and "pure" economic (income, profitability, financial independence etc.), "pure" production (land, livestock and labor productivity, eco-conservation technologies etc.), "pure" ecological (eco-pressure, harmful emissions, eco-impact etc.), and "pure" social" (social responsibility) aspects of farm development are studies (assessed) inde-

pendently from one another. Also critical "governance" functions of farming enterprise, and costs associated with governance ("transaction costs"), and relations between different aspects of farm sustainability are mostly ignored. A majority of suggested framework for sustainability assessment apply an "universal" approach for "faceless" farming enterprises, without taking into consideration the specificity of individual holdings (type, resource endowment, specialization, stage of development) and the environment in which they function (competition, institutional support and restrictions, environmental challenges and risks, etc.). What is more, usually most systems cannot be practically used by the enterprises and managerial bodies, since they are "difficult to understand, calculate, and monitor in everyday activity" [26].

Similarly studies on forms and efficiency of governance of farming enterprise sustainability are also at beginning stage due to the "newness" of the problem, and the emerging new challenges at the current phase of development (globalization, climate change, strong competition with producers in other countries, other sectors, etc.), and the fundamental institutional modernization during recent years, and the "lack" of long-term experiences and relevant data, etc. Most studies in the area include only the farmer (the manager of farming enterprise) as responsible and contributing with his behavior, actions or inactions for maintaining production, technological, ecological and social functions of the farm (the sustainability of farm), while a number of key agents like resources' owners (labor, land, capital, etc.), buyers, suppliers, interest groups, state, communities, final consumers, etc. are commonly ignored. More comprehensive studies are usually focused on formal modes and mechanisms while important informal institutions and organizations are not included into analysis. What is more, research is commonly restricted to a certain form (contract, cooperative, industry initiative, public program), or a management level (farm, eco-system, region) without taking into consideration the interdependency, complementarities and/or competition of different governing structures. Besides, widely used complex forms of governance (multi-lateral, multi-level, reciprocal, interlinked, and hybrid modes) are usually ignored by investigators. Likewise, one-dimensional and uni-sectoral analyses are broadly used separating the management of farming activity from the governance of environmental and overall households and rural activities. Furthermore, most studies concentrate on "production costs" ignoring significant transaction costs associated with protection, exchange and disputing of diverse property rights and rules. Moreover, "normative" (to

some "ideal" or "model in other countries") rather than a "comparative institutional approach" (between feasible alternatives in the specific socio-economic and natural conditions of a country, region, sector, ecosystem) is employed. Furthermore, uni-disciplinary approach dominates ("pure economic", "pure ecological", "pure political", etc.) preventing a proper understanding of the driving factors ("logic") and the full consequences (multiple effects, costs, risks) of a particular governance choice. Consequently, a complete understanding and adequate assessment of the system of governance of farm sustainability is impeded.

Therefore, there are strong theoretical and practical needs for proper understanding both the farming enterprises sustainability as well as the system of its governance and assessment. This paper suggests a holistic framework for assessing the system of governance and sustainability level of farming enterprises of different type (individual and family farms, agri-firms, agri-cooperatives, etc.).

1. Understanding sustainability of farming enterprise

Sustainability movements initially emerged in most developed countries as a response to concern of particular individuals about negative impacts of agriculture on non-renewable resources and soil degradation, health and environmental effects of chemicals, inequity, declining food quality, decreasing farms, decline in self-sufficiency, unfair distribution, destruction of communities, loss of traditions, etc. [18]. "Sustainable agriculture" is used as umbrella term of "new" approaches (organic, biological, alternative, low-input, biodynamical, regenerative, conservative, community supportive) to "conventional" agriculture. Consequently, "social" issues (modes of consumption, quality of life; decentralization; rural development; gender, intra and inter-generation equity; preservation of culture; improvement of nature; animal welfare, tackle climate change) are also incorporated [39-41]. Emergence of that "new ideology" has been associated with a considerable shift of "traditional understanding" of development as theory and policy which now includes a broad range of economic, social, ethical, environment conservation etc. objectives.

More "operational" definitions describe sustainability as "set of strategies" with managerial approaches associated with it: self-sufficiency through use of on-farm/local "internal" resources; reduced use/elimination of chemicals; improved crop rotation and diversification; reduces animals rates; employment of life-cycle management of resources; full pricing of inputs and environmental damages, etc. [32]. Sustainability level is measured through changes in resources use and introduction of alternative methods, and their comparison with "typical" farms. Interpreting sustainability as "an approach of farming" is not always useful for adequate assessment and "guiding changes". Strategies, which emerge in response to problems in developed countries, are not always appropriate for specific conditions of others. Priorities in a particular country also change in time, which makes that approach unsuitable for comparing different subsectors, countries and in dynamic. Such understanding lead to rejection modern approaches ("sustainable intensification") enhancing sustainability. It makes it impossible to evaluate contribution of a particular strategy since it is already used as "criterion". Because of limited knowledge during strategy implementation errors are made (ignoring strategies enhancing or promoting those threatening sustainability). That approach ignores economic dimensions (efficiency of resources) and external factors (institutional environment, markets evolution) critical for sustainability.

Another approach characterizes sustainability as "ability to satisfy a diverse set of goals through time" including: provision of adequate food, economic viability, maintenance of nature, social welfare, etc. [13; 22; 31]. Usually

there is "conflict" between different goals, thus a question which element of the system is to be sustainable (preference is given on some to others). Frequently it is difficult to determine relation between activity and expected effects as integration in "numeric", "energy", "monetary" etc. units suggested. All they are based on wrong assumptions for transition in single dimension, "weights" and interchangeability of different goals, system's sustainability as a sum of components' sustainability, sustainability as absolute state that can only increase or decrease, etc.

"Subjectivity" of specification of goals link criteria for sustainability not with the farm but with the value of pre-set goals depending on outside interests (share/stake-holders, priorities of development agencies, standards of analysts, understanding of scientist). Diverse agri-business organizations have own "private" goals (profit, income, servicing members, subsistence, lobbying, group or public benefits) which rarely coincide with goals of other systems. Different type of farms (individual, family, cooperative, corporative) has unlike internal structure as goals of individual participants not coinciding with entire farm. Therefore, following question is to be answered: *sustainability for whom* in the complex social system – entrepreneurs, managers, working owners, households, hired labor, interests groups, communities, etc. Most approaches lack essential "time" aspect while sustainability has to give idea about *future*, rather than identify past/present states.

Another approach interprets sustainability as "ability (potential) of the system to maintain or improve its functions" [25; 31-32; 41]. System attributes influencing sustainability are specified (such as stability, resilience; survivability; productivity; soil, water, and air quality; energy efficiency; wildlife habitat; self-sufficiency; quality of life; social justice, social acceptance), indicators for their measurement identified and time trends evaluated. Biggest advantage of this approach is linking sustainability with system itself and with its ability to function in future. It gives operational criterion providing basis for identifying constraints and various ways for improvement. It is not complicated to quantitatively measure indicators, their presentation as index in time, and appropriate interpretation of sustainability level as decreasing, increasing, or unchanged. Since trends represent an aggregate response to several determinant that eliminate needs for aggregation.

Shortcomings are that: future state cannot be approximated by past trends, while for new structures (dominating in East Europe) it is impossible to apply. "Negative" changes in certain indicators (yield, income, water and air quality, biodiversity) could be result of "normal" processes of operation and larger systems (fluctuation of market prices, natural climate cycles, pollution by other sectors) without being related with sustainability of agri-business enterprise. It is suggested to compare enterprise indicators not in time, but with average levels in sub-sector, region, etc. However, there are cases when all structures are unsustainable (dying sectors, uncompetitive productions, "polluting" subsectors, deserted regions, economic crisis, negative externalities from other sectors/regions). It is frequently impossible to find single measure for each attribute which necessitates subjective prioritizing of multiple indicators. That approach ignores critical institutional/macroeconomic dimensions, unequal goals of different organizations, comparative advantages and complementarity of alternative structures.

Sustainability of farming enterprises cannot be properly understood/assessed without analyzing their comparative production and governance potential to maintain diverse functions in specific socio-economic and natural environment – e.g. high efficiency and sustainability of small-scale

holdings for part-time employment in East Europe cannot be properly evaluated outside of household and rural economy, high efficiency of cooperatives during transition was caused by possibility to organize activities with high "assets specificity" for members in conditions of great uncertainty [2;6]. Sustainability of a particular farming enterprise is determined from its activity and managerial decisions (efficiency, ability for adaptation), and changes in external environment (market dynamics and crisis, public support and restrictions, extreme climate). Finally, there exists no enterprise (another system), which is sustainable "forever", thus assessment of "sustainability" is associated with answer to question for how long – for what period of time we are talking about?

Considering constant evolution of the features and concept of sustainability, and evolution of agrarian system, sustainability is increasingly perceived "as a process of understanding of changes and adaptation to changes" [36]. Accordingly sustainability is always specific in time, situation, and component, and characterizes potential of agricultural systems to exist and evolve through adaptation to and incorporation of changes in time and space. Incorporated internal dynamics of system also implies "end life" as particular farming enterprise is considered to be sustainable if it achieves its "expected lifespan" – e.g. if due to augmentation of income of households number of subsistence/part-time farms is decreasing while resources effectively transferred to other structures, this process should not be associated with a negative change in sustainability.

Characterization of sustainability has to be "system-oriented" while system is to be clearly specified, including

its time and spatial boundaries, components, functions, goals, and importance in hierarchy. That implies taking into account diverse functions of farming enterprise at current stage of development, its type and efficiency, and links (importance, dependency, complementarity) with sustainability of households, region, eco-system and entire sector. Sustainability approach is to allow comparative analysis of diverse farming enterprises (different type, different countries) while approaches [25; 38] associating comparability only with "continues (quantitative) rather than discrete property" rejected – discrete features ("sustainable"-non-sustainable") are possible, and of importance for managers, interests groups, policy makers [9]. Characterization of sustainability must be predictive since it deals with future changes rather than past and only present. It should be diagnostic, and *focus on intervention* by identifying and prioritizing constraints, testing hypothesis, and permitting assessments in comprehensive way. Sustainability has to be criterion for guiding changes in policies, agri-business and consumption practices, agents' behavior, research and development, etc. It is to allow facile and rapid diagnostic, and possibility for intervention – easy to understand and practical to use by agents without evaluation to require huge costs.

Definition of sustainability of farming enterprise has to be based on "literal" meaning and perceived as a system characteristics and "ability to continue through time". It has to characterize all major aspects of activity of farming enterprise, which is to be *managerially sustainable*, *economically sustainable*, *ecologically sustainable*, and *socially sustainable* (Figure 1).

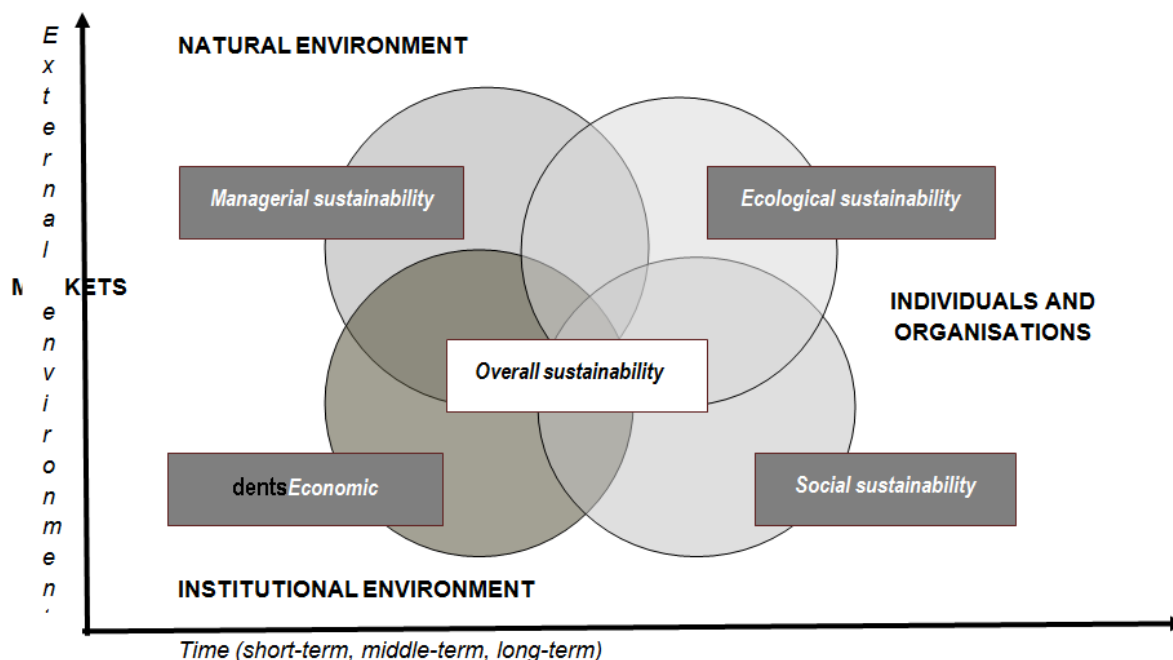


Fig. 1. Sustainability of farming enterprise

Source: Author

Farming enterprise sustainability characterizes the ability (internal potential, incentives, comparative advantages, importance, efficiency) of a particular entity (individual or family farm, agri-firm, agro-corporation, agro-cooperative, etc.) to maintain its governance, economic, ecological and social functions in a long-term. Agri-business enterprise is sustainable if: it has a good *managerial efficiency* – it is a preferable for agents (entrepreneurs, resources owners, managers, farmers, hired labor) from having the same or

greater potential for governing of activities and transactions comparing to other economic organizations; it is *economically viable* and efficient – it allows acceptable economic return on used resources and financial stability; it is *socially responsible* – it contributes toward improvement of welfare and living standards of farmers, hired labor and rural households, preservation of agrarian resources and traditions, and sustainable development of rural communities and society; it is *environmentally friendly* – its activity is

associated with conservation, recovery and improvement of natural environment (lands, waters, biodiversity, atmosphere, climate, ecosystem, animal welfare).

Depending on combination of all dimensions, sustainability of a particular enterprise could be *high*, *good*, *unsatisfactory*, or it is *unsustainable* – e.g. it may have high managerial and economic sustainability, and low ecological and social sustainability. In any case, the low/lack of sustainability in any of four aspects (pre)determines the overall level (e.g. inferior governance efficiency means low overall sustainability). Assessment has to be always made in the specific socio-economic, ecological, etc. rather than unrealistic (desirable, "normative", ideal) context [2; 6].

2. Understanding the governance

A great part of farming activity is fully governed in a "decentralized" way by *individual (private) actions* of independent agents (family farms, agri-cooperatives, agri-firms of different type, suppliers, buyers, consumers), "*visible hand of the manager*", and *market competition* ('invisible hand of market'). For instance, intra-farm distribution of land, labor, finance etc. between individual plots and productions is managed by the manager; "optimal" utilization of resources in economy is "directed" and motivated by (free)market prices movement; agents adapt production and technologies to market needs and demands; low efficiency is 'punished' by insufficient profit and failure..

When property rights are not well defined and enforced, and transaction costs high, then market governance does not achieve maximum efficiency (output, welfare) and sustainability [14]. Effective governance of farming activity

usually necessitates concerted (collective) actions of farmers as it is in the case of efficient marketing of output, sustainable use of common pasture, limited water supply, protection of local biodiversity, etc. Agrarian activity is also associated with significant positive and/or negative externalities, and production of multiple collective, quasi-public and public "goods and bads". All these require special governance of relations (cooperation, conflict resolution, costs recovery) between different farms as well as farmers and non-farmers [5]. Minimization of negative effects is achieved through effective collective organization (partnership, cooperative, association, codes of behavior) [24] or "public intervention" (regulation, control, and sanctions by authority) [35]. Governance of modern farming sustainability more frequently requires "management" of collective actions of agents with diverse interests, power relations, awareness, capabilities etc. in large geographical, sectoral, and temporal scales, and integral management of social, economic, and natural resources at regional, national and transnational scale [5]. That is associated with the needs for "balanced" development of rural areas and communities, and management of natural resources and risks, demanding effective *regional, nationwide, international, and global management, coordination and control*.

The system of governance of farming enterprises' sustainability includes following *distinct* mechanisms and modes, managing behavior and actions of individual agents, and eventually (pre)determine the level of sustainability (Figure 2):

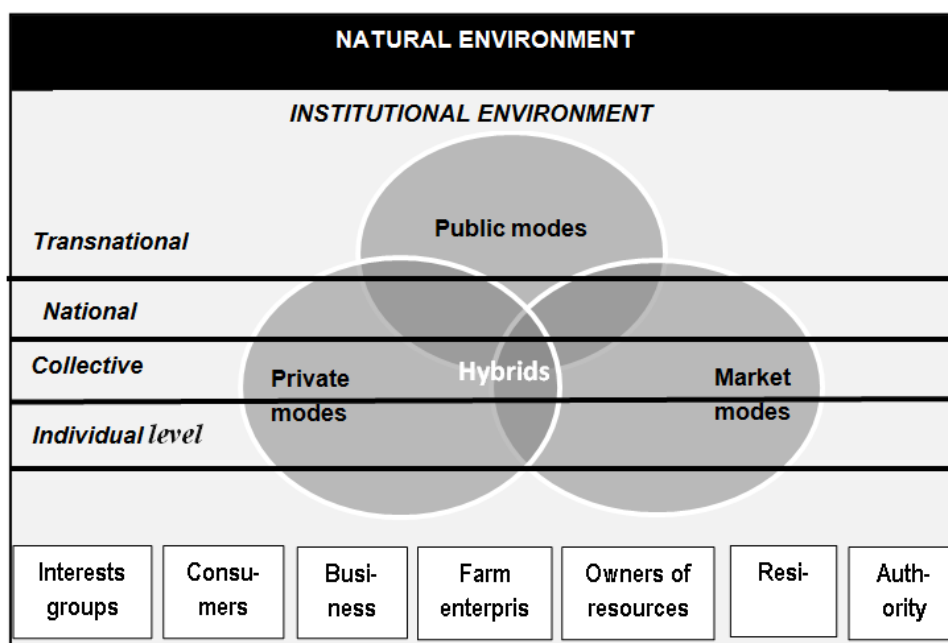


Fig. 2. Modes of governance of farming enterprise sustainability

Source: Author

First, *institutional environment* ("rules of the game") – distribution of rights and obligations between individuals, groups, and generations, and system(s) of enforcement of rights and rules [33]. Spectrum of rights comprises material assets, natural resources, intangibles, activities, working conditions, remuneration, social protection, clean environment, food and environmental security, intra- and inter-generational justice, etc. Enforcement of rights and rules is carried out by state, community pressure, trust, reputation,

private modes, or self-enforced. A part of rights and obligations is constituted by formal laws, official regulations, standards, court decisions, etc. There are important *informal rights and rules* determined by tradition, culture, religion, ideology, ethical and moral norms, etc. In East Europe many of formal rights and rules 'do not work' well and informal "rules of the game" predetermine ("govern") agents behavior.

Institutional development is initiated by public (state, community) authority, international actions (agreements,

assistance, pressure), and private and collective actions. It is associated with modernization and/or redistribution of existing rights; and evolution of new rights and novel (private, public, hybrid) institutions for enforcement. EU membership of East-European countries is associated with adaptation of *Acquis Communautaire* and better enforcement (outside monitoring, and sanction with non-compliance by EU). Many institutional innovations are results of pressure and initiatives of interests groups (consumer and eco-organizations). Institutions and institutional modernization create unequal incentives, restrictions, costs, and impacts for agri-business sustainability – e.g. if rights on natural resources are not well-defined/enforced, that leads to inefficient organization and exploration, constant conflicts among parties, and low economic, social and ecological sustainability. There is no perfect system of preset "outside" rules/restrictions that manage effectively entire activity/behavior of individuals in all possible and quite specific circumstances.

Second, *private modes* ("private or collective order") – diverse private initiatives and decisions of individual agents (managers, resources owners), and special contractual and organizational arrangements (long-term supply and marketing contracts, voluntary eco-actions, voluntary or obligatory codes of behavior, partnerships, cooperatives, brands, trademarks, labels). Agents take advantage of economic and other opportunities, and deal with institutional and market deficiencies through selection/designing beneficial private forms/rules for governing relations and exchanges. Most agri-business activity is managed by voluntary initiatives, private negotiations, "visible hand of manager", or collective decision-making. Nevertheless, there are many examples of private sector deficiency ("failures") in governing of socially desirable activity (eco-protection, preservation of traditions, rural development).

Third, *market modes* ("invisible hand of market") – decentralized initiatives governed by decisions of managers, market price movements and competition (spotlight exchange of resources, products, services; classical purchase, lease, sell contract; trade with quality. products and origins, ecosystem services). Agents use (adapt to) markets, profiting from specialization of activity and exchange, while their decentralized actions "direct"/"correct" overall distribution of resources between activities, sectors, regions, countries. There are many examples for lack of incentives and choice, unwanted exchange, and unsustainable development (missing markets, monopoly/power relations, positive/negative externalities, income disproportion).

Forth, *public modes* ("public order") – various public interventions in market and private sector (guidance, regulation, assistance, taxation, funding, provision, property right modernization).

Importance of public (local, national, transnational) governance increases along with intensification of activity/exchange, and growing interdependence of socio-economic and eco-activities. Often effective management of certain activity through market mechanisms and/or private negotiation would take long time, be very costly, could not reach socially desirable scale, or be impossible. Thus centralized intervention could achieve willing state faster, cheaper or more efficiently. There are numerous "bad" public involvements (inaction, wrong intervention, over-regulation, mismanagement, corruption) leading to significant problems of development.

Fifth, *hybrid forms* – some combination of above three (public-private partnership, public licensing and inspection).

In a long run the system of governance "put in place" (pre)determine the type of socio-economic development and the level of farming enterprises' sustainability [2, 6].

3. Assessment of governance mechanisms and forms

Governance "needs" are associated with necessity for building adequate system for stimulation, coordinating, directing, and harmonizing behavior/actions of agents, maintaining economic, social, and ecological functions of farming enterprises, reviling problems and risks associated with sustainable development [2, 6].

Certain mechanisms and modes exist in assessment moment, since they are a part of institutional environment or result of market, private and public order development. It is to be analyzed to what extent managerial needs associated with diverse aspects of sustainability are "satisfied" by existing governance system. Analysis is to embrace formal and informal ("*de-facto*" rather than "*de-jure*") rights and rules, market, private, collective and public forms. Assessment is to be made on extent institutions creates incentives, restrictions and costs for individuals and society for achieving sustainability, intensifying exchange and cooperation between agents, increasing productivity of resource utilization, inducing private and collective initiatives, developing new rights, decreasing divergence between social groups and regions, responding to socio-economic and ecological challenges, conflicts and risks.

Next, various market forms of governance are to be specified, and extent in which "free" market contributes to coordination and stimulation of farming activity, and effective utilization of resources analyzed. Market governance is effective for immense portion of activity/transactions in agribusiness since it is characterized with many participants, standard products, "free" competition and price formation, high frequency of transactions and low specificity of assets [2]. There are numerous "failures" of market in governing of critical activities like innovations, long-term investments, infrastructural development, eco-protection, which are associated with high uncertainty/risk, low frequency and appropriability, great specificity, insufficient size, which have to be identified.

After that it is to be analyzed how individual agents take advantage of economic, market, institutional etc. opportunities, and overcome existing restrictions through choice/design of new private or collective modes (rules, organization) for governing activity and relationships. Agrarian sector is rich of diverse private organizations of different type based on contract agreements, quasi or complete integration in land, labor, finance, inputs supply, marketing of products, etc. "Rational" (private) agents usually use such forms which are efficient for the specific institutional, economic and natural environment. Outcome of such private optimization not always is the most efficient allocation of resources in society and maximum possible sustainability [2, 6].

There are many instances for private sector "failure" in governing of socially desirable farming (economic, social, ecological) activity, which are to be identified and analyzed.

After that, analysis is to be made on diverse forms of public "involvement" in farming management through provision of information and training, stimulation and (co)funding of voluntary actions, imposition of obligatory order and sanctions for non-compliance, direct organization of activities (state enterprise, scientific research, monitoring). Often there are cases for public "failure" (inactions, wrong interventions, over-regulations, mismanagement, corruption) leading to significant problems which have to be identified.

Some of agro-management modes are integral affecting more aspects of sustainability. Besides, improvement of one aspect is often associated with negative effects for others. Thus, overall efficiency of a particular form, "package" of instruments, or system as a whole is to be evaluated. All existing and other feasible forms are to be identified, and assessed as well as their complementarities (mu-

tual/multiplication effect) and contradictions specified. Assessment of governance system is a complex, multi-facet, and interdisciplinary process, requiring profound knowledge of advantages and disadvantages of diverse modes, and in details characterization of efficiency in the specific conditions of each agent, ecosystem, subsector, region. Often, quantitative indicators are less applicable, and qualitative (Discrete structural) analysis [2, 6] of comparative advantages, disadvantages, and net benefits is to be applied [42; 5].

Identification and assessment of the specific forms and mechanisms of governance of farming enterprises sustainability at farm, ecosystem, regional and sectoral scales is object of a separate microeconomic study. Uncomplete list of major mechanisms and forms of governance of farming enterprise sustainability during EU integration in Bulgaria are summarized on Table 1 (Table 1).

Table 1. Mechanisms and modes of governance of farming enterprise sustainability in Bulgaria during EU CAP implementation

Institutions	Private modes	Market modes	Public modes
Well-defined and better enforcement rights and rules; "Concept of sustainability"; EU Community Acquis; Collective institutions; Monitoring and sanctions from EU	Unregistered farms; Firms; Cooperative farms; Specialized and multipurpose cooperatives; Long-term inputs supply and marketing contracts; NGOs; Codes for professional behavior; of behavior; Diversification into processing, services and marketing; Credit cooperatives; Water User Associations; Professional producers organizations; Vertically integrated modes; Eco-associations, Eco and other labels; Protected origins and brands	Direct marketing; Wholesale, terminal and exchange markets trades; Trade with formal brands, origins, organic products, and ecosystem services; E-commerce with agrarian products; Free (monopoly) agricultural water pricing; Insurance against natural disasters	Implementation of EU regulations and standards; EU Operational Programs; National programs for eco-management (lands, waters, waste, emissions, etc.); National Program for Agrarian and Rural Development; Direct EU payments; National tops-ups; Export subsidies; Milk quotas; Agricultural Advisory Service; Regional programs for agrarian development; System of social, economic and eco-monitoring, analysis and control; Protected zones (NATURA); Compensations for natural disasters; Mandatory training for farmers; Income and garbage taxation; Support to trans-border initiatives; Social security and assistance system; State companies for research, maintenance of eco-systems, etc.; State promotions, fairs etc. for farm produces and services

Source: Author

Analysis of governance system is to be done for *overall* and *private* (managerial, economic, social, ecological) sustainability. Some forms of governance are relevant only for one aspect of sustainability, while others are *integral* (two or more of them). In case two or more forms are complementary and impact sustainability jointly, they have to be evaluated together as "package".

According to the specific objective analysis of the system of governance of sustainability could be made at different levels (Figure 2): *individual* – individual farming enterprise; *collective* – complex farming enterprise (cooperative, partnership, corporation), special organization (inputs supply, group eco-activity); ecosystem, region, etc.; *national* – certain subsector, entire sector; *trans-national* – regional, European, global scale. For each level relevant forms and mechanisms of governance are to be identified and analyzed. Effects and costs at lower and upper management levels are not simple sums of the composite elements. Thus multiplication, adverse, and complementary effects are to be identified and evaluated.

Efficiency of the governance represents specific effectiveness in relations to extent of realization of practically (managerially, technologically, socially, economically) possible level of sustainability, and minimization the overall costs. Assessment is to be made on *overall efficiency* and *partial efficiency* – first one including system as a whole, while the latter its components/instrument.

According to the objectives and period (past, current, future) of analysis, and available information, assessment of efficiency is for *potential efficiency* or *actual efficiency*.

Former indicate potential of the system/mode to change agents' behavior, action or impacts for achieving sustainability, while later *ultimate result* (effect, impact, costs) in relation to sustainability. Efficiency of governance system eventually finds expression in certain level (dynamics) of managerial, social, economic and ecological sustainability of agri-business enterprises. Accordingly *high or increasing sustainability means high efficiency of governance system, and vice versa*.

Absolute and comparative efficiency of the governance is to be also evaluated. The former represents effectiveness in relation to state before introduction of a particular form or improvement of the system – e.g. impacts of direct EU subsidies or NPARD measures on agri-business enterprises sustainability, "green payments" on eco-behavior and ecological sustainability, etc. *If sustainability as a result of new system of governance is improving or further deterioration is prevented, then the form is (more) efficient, and vice versa*.

Comparative efficiency shows effectiveness (effects, costs) of a particular form or the system in relation to another alternative form/system – e.g. alternatives of public interventions like direct income support based on product subsidies, decoupled subsidies, preferential taxes and crediting, price regulation, trade measures, indirect support. Assessment is to find if at all is feasible alternative system of management which is able to increase sustainability level or achieve certain level with less overall (private, public) costs. That approach is also used for comparing two or more feasible forms in order to select most efficient one(s).

It is to be distinguished and made assessments on the *short-term*, the *mid-term* and the *long-term efficiency* of the system of governance of farming enterprise sustainability. That is conditioned by the fact that the needs and conditions of governance change in time, while analysis is made in a particular moment in time or for certain period of time. Taking into account of "time" factor is done through evaluating of: *short-term efficiency* – usually up to 5 years or current programming period; *mid-term efficiency* – a relatively longer period of time (e.g. 5-10 years). Majority of European farmers are in advanced age and they are going to retire in coming years, that is why it is appropriate to use 8-12 years; *long-term efficiency* – in a foreseeable longer-term 12-15 and more years, which is to be greatly related with the conservation and transfer of agrarian resources into next generation(s). In addition *historical* (retrospective) assessment could be undertaken for the level and dynamics during certain "past" period of evolution of farming enterprises of particular type, region, subsector, etc.

When the effects, costs and efficiency of individual components of governance are evaluated it is to be taken into account their different temporal scale, jointness, complementarity, controversies, temporal and social apartness, and potential for development in the conditions of constantly changing socio-economic and natural environment. For instance, many assessments of efficiency usually include only direct costs and benefits, and ignore significant indirect costs and benefits. Besides, when evaluating governing forms often it is not fully accounted for significant private and social *transaction costs*, while they are critical for adequate assessment of efficiency [2, 6].

Two types of transaction costs have to be distinguished: *long-term* (for design and introduction of a particular governing mode) and *current* (for using a particular form by different agents) [2, 5].

Therefore, assessment of the costs of governance is to include: purely "*production*" costs and *investment*, which are associated with the technology of agrarian production,

social development and natural conservation; and *transaction costs*, which are associated with the governance of relations with other agents – costs of finding labor, acquiring information, negotiation, organizational development, registration and protection of rights and products, controlling opportunism, conflicts resolution, adaptation to market and institutional environment, etc.

The evaluation of public forms is to include the overall costs comprising: direct program costs of tax payers and/or assistance agency (program management, funding private/collective activity, control, reporting, disputing implementation), transacting costs (coordination, stimulation, controlling opportunisms and mismanagement) of bureaucracy, private/collective costs for individuals' participation in public modes (adaptation, information, negotiation, paper works, payments of fees, bribes), costs for community control and reorganization (modernization, liquidation) of public forms, and (opportunity) "costs" of public inaction (negative effects on economy, human and animal health, lost biodiversity).

4. Framework for assessment sustainability level of farming enterprises

Efficiency of the specific system of governance of sustainability eventually finds expression in a certain level and dynamics of overall, and managerial, social, economic and ecological sustainability of farming enterprises. Accordingly *high or increasing farming enterprise's sustainability means a high efficiency of the system of governance, and vice versa*.

The hierarchical levels, which facilitate formulation of the system for assessing sustainability of farming enterprises include well determined and selected *principles*, *criteria*, *indicators* and *reference values* (Figure 3).

Principles are the highest hierarchical level associated with the multiple functions of farming enterprise. They are universal and represent the states of sustainability, which are to be achieved in four main aspects – managerial, economic, social and ecological – e.g. a Principle "the soil fertility is maintained or improved" in the Ecological aspect.

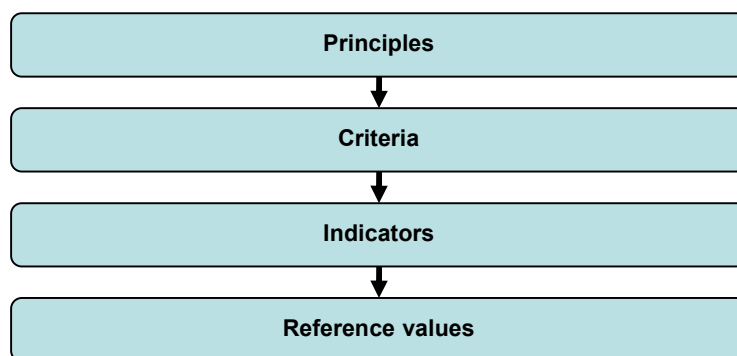


Fig. 3. Hierarchical levels of system for assessing sustainability of farming enterprise

Source: adapted by author from Sauvenier et al.

Criteria are more precise from the principles and easily linked with sustainability indicators. They represent a resulting state of evaluated enterprise when the relevant principle is realized – e.g. a Criteria "soil erosion is minimized" for the Principle "the soil fertility is maintained or improved".

Indicators are quantitative and qualitative variables of different type (behavior, activity, input, effect, impact, etc.), which can be assessed in the specific conditions of evaluated enterprise, and allows measuring compliance with a particular criteria. The set of indicators is to provide a representative picture for farm sustainability in all aspects –

e.g. Indicator "extent of application of good agro-technics and crop rotation" for Criteria "soil erosion is minimized".

Reference value is desirable levels (absolute, relative, qualitative, etc.) for each indicator for specific conditions of evaluated enterprise. They are determined by science, experimentation, statistical, legislative or other ways, and assist sustainability assessment and give guidance for achieving (maintaining, improving) sustainability. As a Reference value it could be used: *specific rule or standard* (application of good agricultural and ecological practices; labor safety standards; standards for animal welfare); *formal restriction* (norm for acceptable pollution of waters, soils and air; ecological limit for Nitrate pollution of lands and

waters); *norm for comparison* (optimum rate for chemical fertilization, pesticides application, water irrigation; extent of conservation of traditions); *minimum or maximum requirement* (lack of unsolvable problems for supply of needed agricultural land, labor; optimum extend of farm's liability); *limits of variation* (number of livestock on a unit of pasture land; diversity of population of wild birds and animals); *average values for similar farms* (average productivity and profitability of the farms in the region or subsector; diversity of cultural plants); *trends* (level of income and welfare of rural households, emissions of greenhouse gasses from the farms; level of diversity of insects and plants); *personal or collective preferences* (satisfaction from farming activity, preservation of traditions, varieties and technologies).

Most Reference values show the level, which (presume to) guarantee a long-term sustainability. Depending on what extent it is achieved or overcome the enterprise could be with a *high, good, or low sustainability*, or *unsustainable* – e.g. farms with higher than the average for sector profit-

ability or lower soils' acidity are more sustainable than others, while with inferior or greater values are with lower economic or ecological sustainability or (economically, ecologically) unsustainable. Another part characterizes a condition for sustainability, deviation of which indicates the state of insufficient sustainability or unsustainability – farms not complying with standards for labor (working, safety) conditions, animal welfare, application of banned chemicals and technologies, producing forbidden products (cannabis), etc.

Content and importance of the principles, criteria, indicators and reference values are formulated and selected by the leading experts on farming enterprise sustainability. They have to be permanently updated for the specific conditions of evaluated enterprise according to development of science, measurement and monitoring methods, available information, industry standards, social norms, etc. An example for a system for assessing sustainability level of farm enterprises in the specific socio-economic and natural conditions in Bulgaria is presented on Table 2.

Table 2. Principles, criteria, indicators and reference values for assessing sustainability of farming enterprises in Bulgaria

Principles	Criteria	Indicators	Reference values
Managerial aspect			
Acceptable gov- ernance efficiency	Efficiency for governing of activity in relation to other feasible organization	Comparative efficiency for supply and manage- ment of workforce	Similar to alternative organization
		Comparative efficiency for supply and manage- ment of natural resources	Similar to alternative organization
		Comparative efficiency for supply and manage- ment of material inputs	Similar to alternative organization
		Comparative efficiency for supply and manage- ment of innovations	Similar to alternative organization
		Comparative efficiency for marketing of products	Similar to alternative organization
		Comparative efficiency for supply and manage- ment of finance	Similar to alternative organization
Sufficient adapta- bility	Farm adaptability	Level of adaptability tomarket environment	Good
		Level of adaptability to institutional environment	Good
		Level of adaptability to natural environment	Good
Economic aspect			
High economic efficiency	Economic efficiency of resource utilization	Level of labor productivity	Similar to the average for the sector
		Land productivity	Similar to the average for the sector
		Livestock productivity	Similar to the average for the sector
	Economic efficiency of activity	Profitability of production	Similar to the average for the sector
		Farm Income	Acceptable by the owner
Good financial stability	Financial capability	Return on own capital	Average for the sector
		Overall Liquidity	Average for the sector
		Financial autonomy	Average for the sector
Social aspect			
Good social effi- ciency for farmer and farm households	Farmers welfare	Income per a member of farm household	Similar to other sectors in the region
		Satisfaction of activity	Acceptable for the farmer
	Working conditions	Compliance with formal requirements for working conditions	Standards for working conditions in the sector
Acceptable social efficiency for not farmers	Preservation of rural communities	The extent farm contributes to preservation of rural communities	Overall actual contribution
	Preservation of traditions	The extent farm contributes to preservation of traditions	Overall actual contribution
Ecological aspect			
Protection of agricultural lands	Chemical quality of soils	Soil organic content	Similar to the typical for the region
		Soil acidity	Similar to the average for the region
		Soil soltification	Similar to the average for the region
	Soil erosion	Extent of wind erosion	Similar to the typical for the region
		Extent of water erosion	Similar to the typical for the region
	Agro-technique	Crop rotation	Scientifically recommended for the region
		Number of livestock per ha	Within limits of acceptable number
		Rate of N fertilization	Within limits of acceptable amount
		Rate of K fertilization	Within limits of acceptable amount
		Rate of P fertilization	Within limits of acceptable amount
		Extent of application of Good Agricultural Practices	Approved rules
	Waste management	Manure storage type	Rules for manure storage
	Water irrigation	Irrigation rate	Scientifically recommended rate for the region

Table 2. Continued

Principles	Criteria	Indicators	Reference values
Protection of waters	Quality of surface waters	Nitrate content in surface waters	Similar to the average for the region
		Pesticide content in surface waters	Similar to the average for the region
	Quality of ground waters	Nitrate content in ground waters	Similar to the average for the region
		Pesticide content in ground waters	Similar to the average for the region
Protection of air	Air quality	Extent of air pollution	Acceptance from rural community
Protection of biodiversity	Variety of cultural species	Number of cultural species	Similar to the average for the region
	Variety of wild species	Number of wild species	Similar to the average for the region
Animal welfare	Norms for animal welfare	Extent of compliance with animal welfare norm	Standards for animal breeding
Preservation of ecosystem services	Quality of ecosystem service	Extent of preservation of ecosystem services	Acceptance from communities

Source: Author

In management practice and design often it is necessary to assess governance efficiency through potential efficiency allowing timely assessment, detecting low "efficiency" and possibility for augmentation, and undertaking measures for improvement. That is a consequence to that there is not or it is too expensive to collect needed information for some/all elements, or impossible to determine quantitatively contribution of a certain form to final out-

come. A system of appropriate indicators for assessing potential of individual modes for effective managerial, economically viable, socially responsible, and ecologically sustainable behavior/activities suggested on Table 3. It has to be bearded in mind that improvement of activity not always is associated with progressive change in sustainability level due to low actual efficiency or impact of other factors [7].

Table 3. Indicators for assessing potential efficiency of governance of farming enterprise sustainability

Managerial sustainability	Economic sustainability	Social sustainability	Ecological sustainability
Lack of serious difficulties for supply of needed workforce; Lack of serious difficulties for supply of needed land and natural resources; Lack of serious difficulties for supply of needed material inputs; Lack of serious difficulties for supply of needed innovation and know-how; Lack of serious difficulties for supply of needed finance; Lack of serious difficulties for marketing of products and services	Share of marketed output; Innovation activity; Extent of implementation of required agro-technique operations; Share of private investment; Participation in public support programs; Amount of public subsidies; Amount of external foreign investment; Implementation of systems for quality control; Long-term inputs supply contract; Long-term contract for marketing of output; Membership in farm organization; Training of personnel; Number of protected and used origins, brand names etc.	Participation in social initiatives of farms and farmers organizations; Extent of implementation of working condition standards; Extent of diversification of activity; Participation of women in management of farms; Number of hired labor; Number of involvement in collective initiatives; Membership in community and interests groups organizations; Dynamics of labor remuneration; Extent of social assurance; Amount of costs for social development	Implementation of efficient crop rotation; Implementation of Good Agricultural and Ecological Practices; Introduction of professional codes of eco-behavior and standards; Transition to eco or organic production; Introduced eco-products and services; Amount of costs for environmental protection; Amount and coverage of signed public eco-contracts; Membership in eco-cooperatives or associations; Number and coverage of agro-ecological payments; Amount and share of uncultivated farmland; Number of type of animals per unit farmland; Amount of chemicals for crop protection total and per unit of utilized farmland

Source: the author

Conclusion. Analysis of the system and efficiency of governance of farming enterprise's sustainability are extremely important both in academic, and practical (policy, farm and business forwarded) respects. In many countries such analyses are far behind from modern developments in theory, and needs and evolution of practice. Suggested framework for understanding, governance and assessing sustainability of farming enterprise is to be further discussed and improved. After that it could be used for identification and assessing specific mechanisms and modes of governance of sustainability of farming enterprises of different type, particular subsector, ecosystems, regions of a country, and countries. Such analysis necessitate collecting additional macro and microeconomic data for agent's preferences and behavior, activities and efficiency of farming enterprises, impacts on social, commu-

nity and natural environment, etc. The ultimate goal of such studies is to improve management and strategies of farming enterprises, and public policies and forms of public intervention in agrarian sector.

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СТІЙКІСТЬ ФЕРМЕРСЬКОГО ПІДПРИЄМСТВА – РОЗУМІННЯ, УПРАВЛІННЯ, ОЦІНКА

Ця стаття дає відповіді на наступні важливі питання: "що таке стійкість сільськогосподарських підприємств" як індивідуальних, так і сімейних ферм, агро-фірм різного типу, агро-кооперативів і т.д., "які механізми і способи контролю системи фермерського господарства", "як оцінити рівень стійкості підприємства в сільському господарстві і ефективності управління". По-перше, еволюція "концепції" стійкості сільського господарства обговорена і більш адекватно визначено як здатність конкретного підприємства для підтримки своїх управлінських, економічних, соціальних і екологічних функцій в довгостроковій перспективі. По-друге, інституційні, ринкові, приватні, громадські та гібридні механізми і способи управління стійкістю розглянуті. По-третє, запропоновані специфічні для умов Східно-європейського сільського господарства основи для оцінки рівня стійкості підприємства і ефективності його управління. Кінцева мета полягає в тому, щоб допомогти керівництву сільськогосподарських підприємств у формуванні стратегій, а також вдосконаленні державної політики та форм державного втручання в аграрному секторі.

Ключові слова: фермерське господарство, стійкість, управління, оцінка, управлінські, економічні, соціальні, екологічні аспекти.

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УСТОЙЧИВОСТЬ ФЕРМЕРСКОГО ПРЕДПРИЯТИЯ – ПОНИМАНИЕ, УПРАВЛЕНИЕ, ОЦЕНКА

Эта статья дает ответы на следующие важные вопросы: "что такое устойчивость сельскохозяйственных предприятий" как индивидуальных, так и семейных ферм, агро-компаний разного типа, агро-кооперативов и т.д., "какие механизмы и способы контроля системы фермерского хозяйства", "как оценить уровень устойчивости предприятия в сельском хозяйстве и эффективности управления". Во-первых, эволюция "концепции" устойчивости сельского хозяйства обсуждена и более адекватно определены способности конкретного предприятия для поддержки своих управленческих, экономических, социальных и экологических функций в долгосрочной перспективе. Во-вторых, институциональные, рыночные, частные, общественные и гибридные механизмы и способы управления устойчивостью рассмотрены. В-третьих, предложены специфические для условий Восточно-европейского сельского хозяйства основы для оценки уровня устойчивости предприятия и эффективности его управления. Конечная цель заключается в том, чтобы помочь руководству сельхозпредприятий в формировании стратегии, а также совершенствовании государственной политики и форм государственного вмешательства в аграрном секторе.

Ключевые слова: фермерское хозяйство, устойчивость, управление, оценка, управленческие, экономические, социальные, экологические аспекты.

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PREMISES AND ECONOMIC CONSEQUENCES OF RENT-SEEKING BEHAVIOUR ON THE BANKING SERVICE MARKET IN UKRAINE

The paper analyzes premises of rent-seeking behaviour of economic actors on the banking service market in Ukraine. The authors determine essential economic consequences of rent-seeking behaviour in the national banking system and put forward some practical recommendations for improvement of governmental regulation of banking system as an important factor of strengthening of economic competitiveness and national security in Ukraine.

Keywords: rent-seeking behavior, banking service market, banking system of Ukraine, governmental regulation of banking system.

Problem setting. The effective operation of the banking service market, aimed at accumulation of cash flows and conversion of them into investment and lending instruments of real economy sector, is an important factor for sustainable and secure development of the national economic systems under conditions of new global challenges and disturbances. The problem stated is a highly topical one for transformation economies with mostly banking-oriented (Eurocontinental) financial systems. Underdevelopment of stock market in such economies transforms the banking sector into a top-priority segment of financial market, the most important mechanism for capital re-distribution and implementation of sustainable development objectives.

When analysing the development trends and inconsistent functioning of post-Soviet economies, modern researchers pay increasing attention to the phenomena of rental economy, where rental relations are brought from the margins to the mainstream of business activity, thus determining its primary objectives and results. Under these circumstances, identification of basic factors and socio-economic consequences of rent-seeking behaviour of business entities on banking service market in Ukraine and development of practical recommendations for effective use of financial resources is an important task of economics and business practice, the solution of which will facilitate advanced modernization of the national economy, increase of its global competitiveness and strengthening of the national economic security.

Analysis of the previous research and publications. Complication of evolution mechanisms of modern economic systems, which are attended by revolutionary changes in correlation of production factors, heightens the researchers' interest to institutional fundamentals and non-economic factors of formation and distribution of rental income. The mentioned problems were reflected in works of representatives of neo-institutional theory – J. M. Buchanan, R. Coase, E. Krueger, D. North, A. Åslund, G. Tullock, R. R. Tollison et al. – who brought the problematics of rent to a new level of theoretical summaries and practical recommendations. What is meant here is substantiation of the "rent-seeking theory" and analysis of rent-seeking behaviour as a certain demonstration of rental relations in modern market economy, i.e. the dynamic actions of economic agents, aimed at appropriation of rental resources and income. Particularly, G. Tullock in his work "The Welfare Costs of Tariffs, Monopolies and Theft" laid emphasis upon and analysed three types of rent-seeking behaviour of modern market economic agents, that are: (1) tariffs and quotas seeking by companies engaged in foreign economic activity; (2) seeking of monopolies formed through implementation of restrictive statutory acts; (3) misappropriation of rights of other persons [29].

Recognition of dual nature of rent-seeking behaviour of economic agents became a significant aspect of neo-institutional studies. Thus, E. Krueger proved that rent seeking in competitive economy is a positive phenomenon, which leads to effective resource distribution [13]. The negative aspects of such activity are at the same time revealed under conditions of existence of non-market restrictions (for instance, state monopoly) and abatement of formal political and economic public institutions. In this context, the scientific researches held by G. Tullock, D. North, J. Wallis, S. Webb, B. Weingast come into notice, as they pay attention to the fact that "rent formation and restriction of competition may have either positive or negative consequences", and the resulting social losses from the rent-seeking behaviour are caused by diversion of essential resources to the struggle for getting it [29; 19]. A strong contribution into research of topical problems of production and appropriation of rental income as well as state regulation of these processes in transformation economies was made by the Ukrainian researches S. Arkhiereiev, V. Bazylevych, T. Haidai, A. Hrytsenko, A. Danylenko, V. Dementiev, B. Kvasniuk, O. Nosova, O. Paskhaver, P. Sabluk et al.

In terms of study of trends and controversies in development of modern banking service market as well as motives and stimuli of behaviour of its main agents, the scientific and analytical researches of scientists and practicing economists of the last years are primarily dedicated to the criticism of hypertrophic development of financial sector and development of recommendations regarding strengthening of public regulation of activity of banking institutions in order to prevent repetition of the global financial crisis of 2007–2009. Thus, certain issues of post-crisis reformation of the global and national systems of banking control and supervision and, particularly, regulation of activity of banking institutions of systemic significance, prevention of impact of negative consequences of their risky operations upon other economic taxpaying agents is the central issue of investigation for such researches as J. R. Barth, A. (P.) Prabha, Ph. Swagel [2], G. G. Kaufman [10], M. Labonte [14] et al.

At the same time, the financial globalization processes, attended by aggravation of international banking competition, strengthening of role of powerful transnational banks, structural changes on financial market, particularly, on the banking service market, as a result of consolidation of banking capital and implementation of innovative technologies are highlighted in the works of E. Ballarin [3], Bremus, Fr. [4], D. F. Channon [6], L. S. Goldberg [8]. Certain aspects of theory and practice of operation of the banking service market in transformation economies are highlighted in the works of the Ukrainian researchers O. Dziubliuk [7],

R. Korniyuk [12], V. Mishchenko, S. Naumenkova [17; 18], R. Pustovoit, M. Ovcharuk [20] et al.

Nevertheless, in spite of achievement of certain consensus regarding underestimation of institutional factors as an important reason for deep transformational fall in Ukraine and negative consequences of domination of counter-productive rent-seeking behaviour of economic agents in scientific community, the problems of rent-seeking activity of such economic agents on banking service market in Ukraine are still underdeveloped. Theoretic underdevelopment and controversial nature of the problems mentioned as well as their practical significance determined the choice of objective and tasks of the article presented, that are: research of the banking service market with due consideration of theoretic and methodologic novelties of neo-institutional theory and substantiation of strategic priorities of improvement of financial policy in the national economy on that basis.

Results. The banking service market in Ukraine is known to have undergone a complicated transition from command-administrative to market banking economy since early 1990s. However, the Ukrainian banks did not pursue

the goal to ensure qualitative servicing of numerous customers at the initial stage, concentrating their efforts on servicing of a restricted range of customers. Rampant development of the Ukrainian banking service market started only in 2000s and was related to intensification of globalization processes, which resulted in active expansion of foreign banks, aggressive competition, extension of range of services offered based on implementation of innovations and marketing approaches to promotion of banking products.

A percentage of banking assets in GDP is illustrative in respect of dynamics of development of the banking service market in Ukraine as compared to other countries. In countries of Central and Eastern Europe the average value of this indicator made 91.3 % in 2008, 95.3 % in 2011, and reached 96.5 % as of the end of 2014. However, the highest percentage of banking assets in GDP in 2014 was observed in the Czech Republic (126 %) and Croatia (123 %). At the same time, economic recession and crisis phenomena in the banking system resulted in reduction of this indicator from 98 % in 2008 to 86 % as of the end of 2014 in Ukraine (Table 1).

Table 1. Comparative characteristics of development dynamics of the banking service sector in Ukraine and countries of Central and Eastern Europe, 2008–2014

Country	Total assets in % of GDP			Total loans % of total deposits			Total loans in % of GDP			Total deposits in % of GDP		
	2008	2011	2014	2008	2011	2014	2008	2011	2014	2008	2011	2014
Poland	86	85	89	121	115	105	46	53	52	32	46	50
Hungary	123	124	100	138	133	107	60	60	42	42	45	40
Czech Republic	108	115	126	81	79	77	54	57	62	67	73	81
Slovenia	116	126	100	166	155	105	85	91	62	101	85	87
Slovakia	90	81	81	60	83	86	45	50	54	64	58	62
Romania	65	70	61	124	111	86	38	40	42	31	36	37
Bulgaria	100	98	104	120	106	87	72	71	68	32	67	78
Croatia	106	125	123	100	104	99	71	88	86	71	85	87
Serbia	65	88	85	122	126	111	37	52	48	30	42	43
Bosnia and Herzegovina	85	85	92	122	118	109	58	59	64	48	50	58
Albania	77	86	98	62	61	55	22	39	43	59	71	76
Russia	68	75	109	112	90	95	40	42	58	36	47	61
Ukraine	98	81	86	219	163	145	77	61	64	38	37	44

Source: [21; 22].

In terms of percentage of total loans, provided by the Ukrainian banks, in GDP (the ratio is often used as a market maturity indicator), it made 77 % as of the end of 2008, which was one of the highest values in Central and Eastern Europe (the highest value of this indicator was only observed in Slovenia – 85 %). However, the indicator value decreased to 64 % in Ukraine as of the beginning of 2015. It should be noted that, despite the descending trend, a high loan / deposit ratio is typical for the banking service market in Ukraine – it made 145 % as of the end of 2014. The value of this indicator is the highest in Central and Eastern Europe, and it reflects the low deposit base build-up rate of the Ukrainian banks and a high percentage of funds, raised due to foreign borrowings, in their loan portfolios. The volume of deposits raised on the banking service market in Ukraine is one of the lowest in Central and Eastern Europe. Considering the reduction in real GDP volume by 6.8 % as of the end of 2014, this indicator made 44 % of GDP in Ukraine, while it made 87 % in Slovenia and Croatia and 81 % in the Czech Republic.

It is important to note that the most pressing problems of development of modern Ukrainian banking service market are as follows: (1) limited lending capacity of the real economy sector as compared to the needs of innovation and investment development; (2) low public confidence in banks and entire banking system. What is meant here is the loss of social capital on the Ukrainian banking service market, caused by non-return of private deposits placed

with the Savings Bank of the USSR in full; adverse conditions of development of the banking service sector in 1990–1998, strengthening of its instable functioning during the global financial crisis of 2008–2009, exacerbation of the current banking crisis, which started in 2014; inadequate operation of the National Bank of Ukraine and the Deposit Insurance Fund and, in general, weak system of protection of interests of banking consumers, etc. With this in view, it can be mentioned that the institutional incompleteness of market relations on the Ukrainian banking service market, which is reflected in insufficient effectiveness of state regulation of the economy, encourages counter-productive rent-seeking behaviour of economic agents and result in significant public losses.

In this context, it can be mentioned that the analysis of works of national and foreign researchers allows to distinguish the following fundamental provisions of the rent-seeking theory in modern market economy:

1) rent-seeking behaviour of economic agents is related to the use of rare resources for the purpose of capturing of artificial transfer;

2) the rent-seeking process develops horizontally and vertically, creating three levels of competition for rent appropriation (between producers investing funds in acquisition of beneficial operating conditions for themselves; between officials and politicians in public and governmental authorities; between recipients of public subsidies, grants, loans, etc.);

4) rent-seeking activity of economic agents may be active in its nature, which is related to seizure of the privileged position and reduction of competition through the system of misappropriated privileges, or passive in its nature, being implemented in the state-formed regulation system;

5) rent-seeking in modern market economy is of a systemic nature, as successful specific rent-seeking behaviour of a certain individual transforms into a conscious strategy of the individual's rent-seeking activity and stimulates the formation of appropriate informal institutions at societal level in general;

6) redirection of political and economic interests of agents from formation of effective economic institutions to serving interest of special groups, seeking access to rental income, hinders market reformations in transition economies; replaces market competition with conspiracies and struggle between individuals and groups controlling rental resources; gives rise to the use of governmental authorities for blocking of progressive institutional reforms; promotes corruption, increases shadow capitals and reduces innovation incentives, etc. [5; 9; 15; 19; 28].

The practice of reformation of the Ukrainian economy, which strengthens institutional imbalance on the banking service market, is an eloquent evidence hereof. The initial stage of formation of the mentioned market is known to be characterized with unregulated nature, lack of control and aborted regulatory support, which created prerequisites for ineffective rent-seeking behaviour of state banks and small-scale banking institutions created through re-incorporation (the so-called "pocket banks" or "agent banks"), which focused on serving the needs of their founders. Most of the newly incorporated banks had minor capital, post-privatization debts and doubtful customers and performed risky transactions. What is meant here is the focus on speculative gains on the currency market and transfer public loans as well as gains from arbitration in commodity export. The loans provided by such financial intermediaries were mostly short-term ones, were not duly collateralized and were usually of a non-market nature of personal relations between the borrower and the lender [20].

The lobbying of interests of certain economic agents and obtaining of beneficial operating conditions by separate business entities or groups of entities, distribution of public subsidies in their favour as well as other circumstances became considerable in their scale [11]. Rent-seeking activity of commercial banks within this period was stimulated with significant transaction costs for deposit funding and loan granting, as: (1) the depositors did not have any absolute confidence in security of their savings; (2) information on borrowers could be improper. The strengthening instability of the Ukrainian banking system, reflected in the banking crises of 1998, 2004, 2008–2009, 2014–2015, was a consequence of ineffectiveness of institutional system, which made mutation of the transplanted formal institutions and application of informal relations, established in a time of administrative-command economy, possible.

Considering the adverse endogenous and exogenous factors of modern development of the national economy (economic slowdown, strengthening of political instability, annexation of Crimea, military actions in the Eastern Ukraine, rapid inflation at the rate of 45 % per annum, three-time devaluation of the national currency, rising deficit of the national public budget and public debt), the researchers and practicing experts believe that ineffectiveness of the national legislation and regulatory mechanisms of banking activity, which creates conditions for counter-productive rent-seeking behaviour of economic agents of the banking service market, is one of the main reasons for current crisis of the banking system of Ukraine.

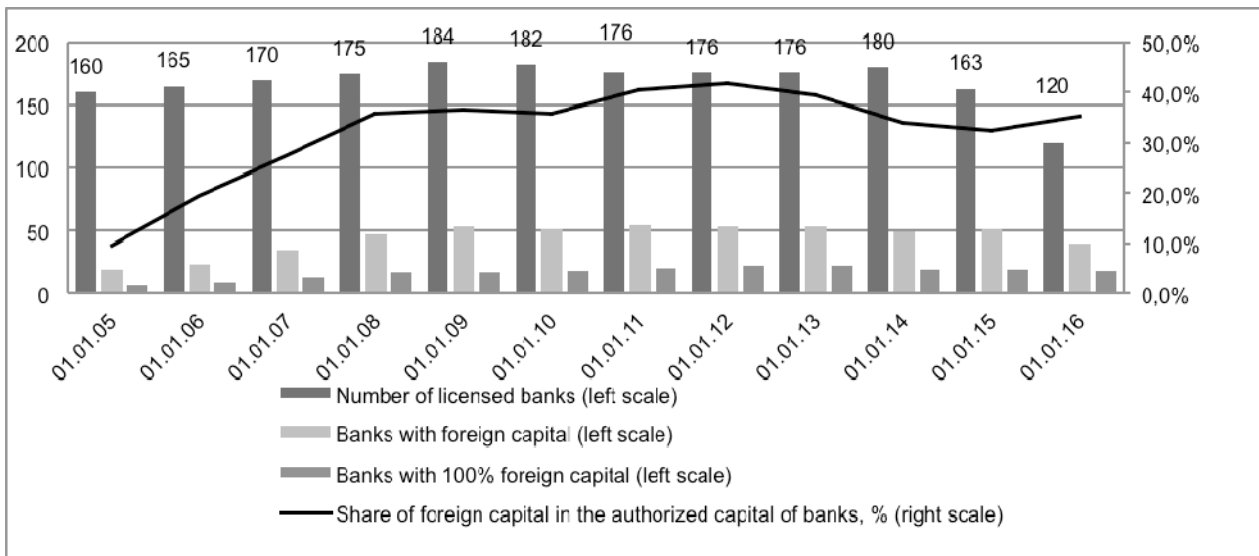
Thus, O. Dziubliuk and V. Rudan turned attention to actual lack of proper regulation of two main directions of banking activity in Ukraine that are lending and foreign exchange transactions. The thing is that the currency relations in the national economy are now regulated by the Decree of the Cabinet of Ministers of Ukraine "On Currency Regulation and Currency Control" dated February 19, 1993, which provides for a limited range of currency relations. At the same time, a single Regulation of the National Bank "On Lending" was revoked in the lending sphere of Ukraine in 2004 [7]. In the absence of an effective statutory regulation of currency relations, the level of loan dollarization in the Ukrainian economy increased from 42.2 % in 2004 to 59.1 % in 2008, and the level of deposit dollarization – from 36.5 % to 48.9 % in 2009 [24]. Thus, as of the end of 2015, the percentage of foreign currency loans in the loan portfolio of the Ukrainian banks, which were mostly provided in 2008–2009 for purchase and construction of real estate, still remains high and makes about 55 %.

The lack of effectiveness and non-transparency of mechanisms for provision of refinancing loans and control over the intended use thereof should be taken into account as well. As the Head of the National Bank of Ukraine says, considerable financial damage to the national economy was brought with the rent-seeking behaviour of oligarchic business groups, which reflects in non-transparent ownership structure, large volume of loans provided to the related parties, existence of numerous banks, which apply criminal corruption schemes to extract funds from the country, etc. [25].

Inability of the Ukrainian banking system to effectively perform its key functions due to extension of the rent-seeking behaviour of economic agents raises a number of negative socio-economic consequences, including:

- existence of financial institutions, which do not perform and are not intended to perform the financial intermediation function and pose significant systemic risks to the economy;
- insufficiency or complete lack of guarantees of rights to protection of financial services consumers' interests;
- low standards in banking solvency and liquidity management, which resulted in insolvency and bankruptcy of numerous banks in 2014–2015 (including one bank of systemic significance);
- loss of funds by the affected depositors and customers and, consequently, outflow of deposits from bank accounts and further decrease of confidence level;
- increase of the percentage of non-performing loans in total bank loan portfolio, which, in its turn (through significant contributions to reserves), leads to a negative financial result of the banking system activity, etc [7; 12; 17; 18; 26].

Thus, the accumulated imbalances in the banking activity under unfavourable economic and political conditions found their reflection in the banks' failure to fulfil their obligations to customers. Over the past two years, the number of licensed banking institutions in Ukraine decreased by 60 and made 120 as of the beginning of 2016 (with 40 of them being the banks with foreign capital), whereas it made 184 (with 53 of them with foreign capital) as of the beginning of 2009, 176 (with 55 of them with foreign capital) in 2011, 180 (with 49 of them with foreign capital) in 2014 (Fig. 1). Only in 2015, the regulator forced market exit of 33 insolvent banks (including those, which breached the law on money laundering and terrorism financing).



Note: Since 2013, the list of licensed banks incorporates one remedial bank.

Fig. 1. Change in structural composition of the Ukrainian banking institutions, 2005–2016

Source: [23].

Therewith, the global position of the Ukrainian banks according to their level of soundness has changed little, if at all, since 2009 subject to the WEF Global Competitiveness Index. The dynamics of this indicator is unfavourable:

particularly, the Ukrainian banks take the 140th position among the banking institutions of 140 countries represented in the rating of 2015–2016 (Fig. 2).

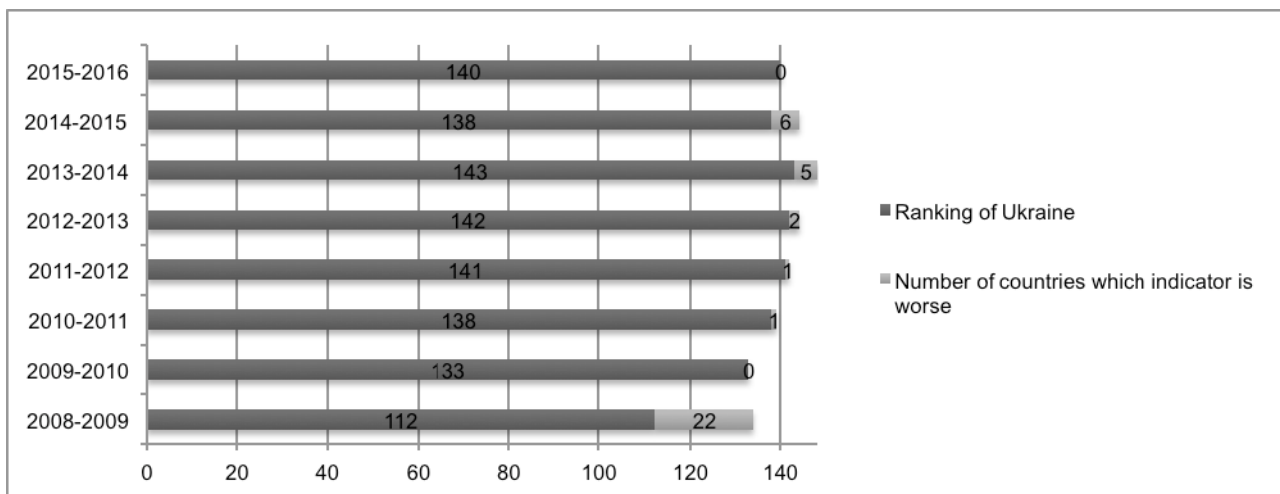


Fig. 2. Position of Ukraine in the WEF Global Competitiveness Index according to soundness of its banks

Source: [27].

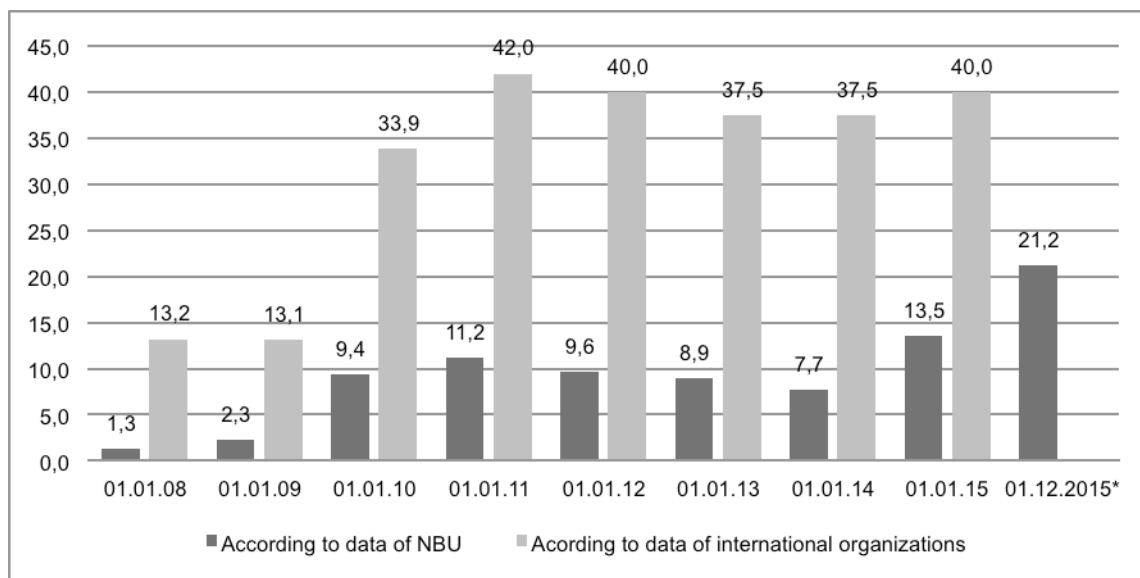
It is important to note that freeze of payments on deposits and depreciation of deposits due to high inflation rate led to a catastrophic decline in confidence in the national banks, deposit outflow and flow of such funds to the currency market. Particularly, the maximum guaranteed deposit amount to be returned to individual depositors in case that the NBU declares the banking institution insolvent makes only UAH 200,000 in Ukraine. The individual or corporate depositors, the amount of funds of which on bank accounts exceeds UAH 200,000, may get a refund only in the process of liquidation of the banking institution and sale of its assets. However, as practice shows, the possibility of a return, even partial, of funds on bank deposits in the process of sale of assets of the bank under liquidation is rather remote. It was the customers' desire to preserve

their own savings under conditions of high confidence in the banking system, instability of the national currency and high inflation expectations, which resulted in significant outflow of deposits from bank accounts. Only in 2014, the depositors withdrew nearly UAH 126 billion from bank deposits, and the deposit outflow reached UAH 20 billion for 10 months of 2015 [25].

The increase in non-performing loans volume, the percentage of which in total loan portfolio set the record and increased during 2014–2015 by 13.5 % (from 7.7 % as of the beginning of 2014 to 21.2 % as of the end of 2015) or by 19.9 % as compared to 2008 (from 1.3 %) (Fig. 3) was an eloquent evidence of the crisis of the banking system of Ukraine. The decrease in real personal income under conditions of considerable devaluation of the national currency

caused significant difficulties in servicing of credit obligations (especially the currency ones) by the borrowers, which, in its turn, facilitated the increase in past-due debt. Particularly, the non-performing bank loans volume increased by 188.2 % (UAH 132.08 billion) during 2014 and eleven months of 2015 and made UAH 202,257 million as of 01.12.2015. Moreover, according to the data provided by international organizations, the percentage of past-due debt made 40.0 % of total loans provided by the banks (considering the exclusion of restructured non-performing loans by the national regulator). It should be also noted that the highest percentage of non-performing loans in total

bank loan portfolio made 11.2 % as of the beginning of 2011 or 42.0 % according to international estimates. The deterioration in the quality of loans and other assets and final formation of active operations reserves since the beginning of 2014 revealed insufficiency of equity and regulatory capital of the banks and made negative impact upon financial results of the banks [26]. Hence, the losses of the Ukrainian banks made UAH 57.28 billion, the return on assets made 5.12 % and the return on capital made 47.78 % as of 01.12.2015 [23].



Note: * – insolvent banks excluded.

Fig. 3. Past-due debt percentage in total loan portfolio, %

Source: [21; 22; 23].

Conclusion & Discussion. Consideration of theoretical and methodological novelties of institutionalism in terms of understanding of nature and developmental patterns of modern rental relations allow to depart from a narrow natural-resource interpretation of rent and comprehend the complexity and poly-structural nature of the banking service market reformation in the post-Soviet economies. In this context, the dynamic activity of the Ukrainian state towards transformation of modern fragmentary regulation of rental relations into a comprehensive rental policy, aimed at prevention of counter-productive and stimulation of productive rent-seeking behaviour of economic agents, should become one of the priorities of post-crisis modernization of the Ukrainian economy. As V. Bazylevych and V. Osetskyy notes, providing institutional conditions for sustainable economic growth may be possible as a result of institutional intensification, strengthening of cooperation and complementarity of all types of institutions that will promote increasing confidence in the economic agents [1]. The following steps, implemented by the regulator in 2014–2015, became essential in this regard:

- 1) stress-testing of the largest banks, which served as a basis for development of relevant capitalization programs and restructuring plans;
- 2) increase of required minimum amount of statutory capital to UAH 500 million for new banks and approval of schedule for bringing the statutory capital of operating banks in line with new requirements within 10 years;
- 3) improvement of procedure for market exit of banks and procedure for monitoring of the related parties in line

with implementation of strict procedures for disclosure of bank ultimate beneficiary owners;

- 4) implementation of legislative initiatives for strengthening of liability of bank owners and management for accounting abuses and causing banks to go bankrupt;

- 5) implementation of a supervisory institution to monitor the use of funds, raised from the NBU, by banking institutions and disclosure of information on refinancing loans in terms of certain banking institutions;

- 6) development of a Comprehensive program for development of the Ukrainian financial sector until 2020, within the three stages of which (clearance, reboot and creating conditions for long-term sustainable development of financial sector) it is planned to implement a set of measures aimed at ensuring stability and dynamic development of financial sector, development of institutional capacity of regulators and increased protection of consumers' rights [25; 26].

At the same time, the limitation of scope of counter-productive rent-seeking behaviour of economic agents on the Ukrainian banking service market requires significant institutional changes aimed at restoration of confidence in the banking institutions, reduction of inflationary expectations of economic agents, currency market stabilization, stimulation of funding of the banking system through increase of the state-guaranteed deposit amount to be returned for individuals and implementation of minimum guaranteed deposit amounts for businesses, adjustment of mechanisms for issue of stabilization loans in terms of development of clear criteria and requirements to the banks

eligible to get refinancing loans, strengthening responsibility of banking institutions for improper use thereof, ensuring priority access to such loans for the banks, which finance strategic development programs, increase of soundness of the Ukrainian banks and responsibility of their founders for the bank performance through statutory formalization of the institution of guarantor of financial stability, restoration of economy financing, and refocusing of banks on active transactions with real economy agents through financing of innovative investment projects.

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ПЕРЕДУМОВИ ТА ЕКОНОМІЧНІ НАСЛІДКИ ПОШУКУ РЕНТИ НА РИНКУ БАНКІВСЬКИХ ПОСЛУГ В УКРАЇНІ

У статті досліджено основні передумови рентоорієнтованої поведінки суб'єктів ринку банківських послуг в Україні. Розкрито економічні наслідки пошуку ренти в національній банківській системі. Обґрунтовано практичні рекомендації щодо вдосконалення державного регулювання банківської системи як важливого чинника забезпечення конкурентоспроможності та національної безпеки України.

Ключові слова: рентоорієнтована поведінка; ринок банківських послуг; банківська система України; державне регулювання банківської системи.

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ПРЕДПОСЫЛКИ И ЭКОНОМИЧЕСКИЕ ПОСЛЕДСТВИЯ ПОИСКА РЕНТЫ НА РЫНКЕ БАНКОВСКИХ УСЛУГ В УКРАИНЕ

В статье исследованы основные предпосылки рентоориентированного поведения субъектов рынка банковских услуг в Украине. Раскрыты экономические последствия поиска ренты в национальной банковской системе. Обоснованы практические рекомендации по совершенствованию государственного регулирования банковской системы как важного фактора повышения конкурентоспособности и национальной безопасности Украины.

Ключевые слова: рентоориентированное поведение; рынок банковских услуг; банковская система Украины; государственное регулирование банковской системы.

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THE BUDGET CLASSIFICATION AS THE BASIS OF THE USAGE OF THE METHOD OF ACCRUAL IN THE PUBLIC SECTOR

Components of the budget classification of Ukraine, which are used for accounting and administration of budgets of different levels, have been investigated. The five-level hierarchy of normative documents in accordance with international practice has been proposed. The analysis of the budget classification of Ukraine and of that one, which has been developed in accordance with the IMF GFSM 2001, has been done as the basis for implementation of the method of accrual in the public sector. Proposals on the improvement of the budget classification and the method of accrual have been made.

Keywords: budget; budget classification; method of accrual.

Formulation of the problem in general and its connection with important scientific (practical) tasks. Successful functioning of the economy of any country contributes to optimal ensuring of formation and fulfillment of budget, the important components of which are classification of income and expenses and usage of the method of accrual. The structure of income reflects tax public policy, expenditures – priority directions of investment of money. Accounting in the public sector is under control of the state (the Ministry of Finance of Ukraine, hereinafter – the MFU), which provides general methodological guidance for its orderliness, ensuring uniformity and comparability.

According to the "Strategy for modernization of the system of accounting in the public sector for 2007-2015 years" (hereinafter – the "Strategy") [1], subjects of the public sector are: the MFU, administrators of budgetary funds, the State Treasury Service of Ukraine and funds of obligatory state social and pension insurance. The definition of common approaches to accounting for all subjects of the public sector provides adjustment of both accounting and control of budgetary funds flow during the whole chain. That is from the source of income to the final recipient.

Analysis of recent research and publications on the problem that is under consideration. In economic literature a significant contribution to the theoretical research of budgetary classification of income and expenses, and also to their accounting, which is built on the legal framework for subjects of public sector, has been done by famous economists, namely: M.H. Bielov, M.T. Bilukha, V.V. Burtsev, L.V. Hizatulina, R.T. Dzhoha, T.I. Yefimenko, S.O. Levytska, L.H. Lovynska, M.H. Mykhailova, S.V. Svirko, N.I. Shshko, I.B. Stefaniuk, O.O. Chechulina, V.M. Fedosov and others. Analysis of their publications indicates the absence of proposals on improving the system of legal regulation in Ukraine, the budget classification in accordance with the IMF GFSM 2001 and the method of accounting.

Unsolved aspects of the general problem. The reform of administration of public finances and reconstruction of accounting and reporting, which is connected with it, causes the need to make changes in the system of legal regulation in Ukraine. That is, its improvement on the basis of international practice and distribution on relevant hierarchical levels. Today there is the transformation of the national accounting system, whose main objective is to ensure transparency of accounting and reporting in general in order to increase the efficiency of budget expenses and quality of administration of the budget process. In order to fulfill this task, it is important to follow harmonization of accounting rules and procedures concerning all economic categories, which must be classified according to the IMF GFSM 2001 p. [2]. At this stage of reforming, arose the necessity to change both the budget classification and also the accounting methodology and their integration. This will

let to move to the medium-term financial planning and budgeting, which is result-oriented.

The budget classification in Ukraine, which is the basis of accounting, is a grouping of income, expenses and sources of funding budget deficits at all levels of the budget system, types of the state debt and state assets.

In the process of reforming of accounting it is provided the usage of developed and approved National (Regulations) Standards of Accounting in the Public Sector (hereinafter – N(R)SAPS) [3] on the basis of International Financial Reporting Standards for the Public Sector (hereinafter – IFRSPS) [4], based on the method of accrual. The research of legal, scientific and methodological support of the usage of the method of recognition of income and expenses in accounting of the public sector of Ukraine shows that it is almost absent in legislation and in practice. Especially it touches upon such terms as "cash method", "method of accrual", "modified cash method", "modified method of accrual". Analysis of the current regulatory framework shows that only certain documents (the "Regulation on organization of accounting and reporting on implementation of the state and local budgets in the bodies of the State Treasury Service of Ukraine" [5], "The Budget Code of Ukraine" (hereinafter – BCU) [6], the Decree of the Cabinet of Ministers of Ukraine [1]) mention the use of the cash method and accordingly the accrual method. Nevertheless, they do not indicate the mechanism of implementation of these methods.

The goal of this article is to improve the legislative base, the budget classification in accordance with the requirements of the IMF GFSM 2001 and substantiation of the method of accrual for accounting in the public sector.

Presentation of the basic material of the research with full justification of scientific results. A key position in the public sector belongs to the budget process, which according to the BCU [6] consists of the following stages: drafting budgets; consideration of the draft and adoption of the law on the state budget for the certain year (local budget decision); implementation of the budget, including making amendments to the law on the state budget (local budget decision); preparation and review of the report on the implementation of the budget and making decision on its implementation. The MFU as the major participant in the budget process determines the overall level of budget income, expenses and loans and evaluates the volume of its financing for drafting the project of the state budget for the next year.

The budget expenditure is formed considering indicators, which have been included by major administrators of budget funds to budget requests. The MFU analyze budget requests in order to detect the compliance to purpose, to priority, and to efficient use of budget funds. The decision on the inclusion of the budget request to the draft of the state budget is made basing on the results of this analysis.

Preparation of drafts of local budgets is done by the procedure, which is defined by the Article 75 of the BCU [6].

Execution of the budget is in provision of the State Treasury Service of Ukraine under the Single Treasury Account opened at the National Bank of Ukraine, receipts of planned income and implementation of expenses, planned in the budget (Art. 43 of the BCU [6]).

Since all stages of the budget process are interconnected, then each of them must ensure the authenticity and objectivity of accounting and control. Today the system of laws and regulations, that directly or indirectly regulate accounting in public sector of Ukraine consists of: the Constitution of Ukraine; the BCU; the Law on State Budget for the current year; other laws that regulate budgetary relations (in accordance with Art. 1 of the BCU); normative and legal acts of the Cabinet of Ministers, the bodies of executive power; decisions of state administrations on the local budget.

During the period of strengthening of market relations in Ukraine, the establishment and improvement of the legislative framework takes its place. Basing on the analysis of international experience of the development of accounting system and considering traditions and positive experience of domestic regulation, one should provide five-level hierarchy of regulations.

The first level consists of the BCU [6], the Civil Code of Ukraine [7], the Labor Code of Ukraine [8], Decrees of the President of Ukraine, Resolutions of the Cabinet of Ministers of Ukraine, the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" [9] and other laws etc. The BCU [6] determines the legal principles of functioning of the budget system of Ukraine, its principles, basics of budget process and intergovernmental relations and responsibility for violation of the budget legislation. For example, the Civil Code of Ukraine [7] determines the most important accounting standards in the institution (the presence of the independent balance in each entity; mandatory approval of the annual financial statement; the procedure of registration, reorganization and liquidation of organization, etc.); in the Labor Code of Ukraine [8] – the legal basis for relations between employers and employees in the field of work and its payment; in the BCU [6] – budget processes in the sector of public administration. The law "On Accounting and Financial Reporting in Ukraine" [9] defines: the concept of accounting and its objects, main requirements and rules, the order of regulation and organization; rules of organization of analytical and synthetic accounting, its registers; the order of evaluation of assets and liabilities, their stocktaking, preparation and presentation of financial reporting.

Documents of the first level fix obligatoriness of the common approach of all economic entities to accounting, the basic requirements for its organization, formulate rules and procedures. This group also includes documents that legally determine peculiarities of accounting depending on the legal form of the entity.

The second level should be carried out during 2015-2016 years by means of introduction of N(R)SAPS [3] and instructions on accounting and reporting of the Ministry of Finance of Ukraine that were prepared on their basis. In order to do this, in our opinion, it is important to prepare the draft of the "Instruction on the usage of the Chart of Accounts of Accounting in the Public Sector" and to update the "Instruction on the order of preparation and presentation of annual, quarterly and monthly budget reporting". These regulations of the Ministry of Finance of Ukraine will form a single state accounting policy for all agencies of the sector of public administration: the order of accounting and reporting; recording in the accounts of transactions on the implementation of budgets; correspondence of accounts of accounting; other issues of organization of accounting.

The third level will provide drafting of regulations on questions of accounting and reporting, that are issued by the authorities that organize the implementation of the respective budget, budgets of state trust funds as well as regulations of local authorities of executive power, which will have powers to regulate certain questions of accounting and reporting.

The fourth level will consist of regulations that are applied by main administrators of funds of the budget of the corresponding level considering branch features. They should include: the order on accounting policy of institution, the working plan of the chart of accounts, the regulations on labor and its motivation, job descriptions, instructions on stocktaking, etc., that are developed on the basis of current legislation and regulations.

The fifth level of regulation includes working papers of institutions of the public sector: the order of the head on approval of the schedule of circulation of documents; the order on stocktaking of assets and liabilities and etc.

We believe that the proposed five-level hierarchy of formation of regulations will facilitate their ordering in accordance with international practice; the budget classification of revenues and expenditures, the content of which is based on provisions of the IMF GFSM 2001 [2], and will facilitate the introduction of the method of accrual.

The budget classification is used for accounting of the public sector and for implementation of budgets. Comparability of indicators of budgets of all levels of the budget system of the country is achieved on its basis. The current budget classification of Ukraine is designed with consideration of requirements of the IMF GFSM 1986, the content of which has been insignificantly changed. The structure of the budget classification, its types and characteristics, approved by the BCU, were systematized in the table 1.

The IMF GFSM 2001 [2] developed new approaches to classification of income of the public sector and submitted the following classification tables: economic classification of expenses; classification of expenses by functions of bodies of public administration, functional classification of expenses; cross-classification of expenses.

Table 1. The structure of the budget classification of Ukraine

Budget classification	Types of classifications	Purpose of classification
<i>Classification of the budget income</i>		Grouping of income of budgets of all levels
Classification of budget expenses and crediting	Functional classification of budget expenses and crediting	Grouping of expenses of budgets of all levels, represents the direction of budget funds on fulfillment main functions of the state and solving questions of local meaning
	Economic classification of budget expenses	Grouping of expenses of budgets of all levels by their economic content (represents types of financial operations, which help the state to fulfil its functions in both inside the state and outside its borders)
	Departmental classification of budget expenditures and crediting	Contains the list of key administrators of budget funds for systematization of expenditures and crediting of the budget on the basis of key administrator of budget funds

Table 1. Continued

Budget classification	Types of classifications	Purpose of classification
Classification of budget financing	Classification of financing of budget by the type of creditor	Grouping of financial resources for deficiency payment of the budget and directions of their spending, that came into being in the result of the profit of the budget by categories of creditors or owners of debt obligations
	Classification of financing of budget by the type of debt obligation	Grouping of financial resources that are important for deficiency payment of the budget and directions of their spending, that came into being in the result of the profit of the budget
Classification of debt	Classification of debt by the type of creditor	By the type of the creditor classifies information on all debt obligations of the state, of the local community of the city
	Classification of debt by the type of debt obligation	Grouping of debt obligations of the state by the type of debt obligation

Source: compiled basing on [6].

Economic classification of expenses. In case of classification of data on expenses by the IMF GFSM 1986 according to the IMF GFSM 2001 [2] it is necessarily to have additional information for making adjustments with taking into account the following: in the IMF GFSM 2001 [2] operations of subjects of the public sector are accounted by gross basis, i.e. their gross income are classified under the relevant categories of income and gross expenditure – by the relevant categories of expenses. In the IMF GFSM 1986 operations of subjects of the public sector are recorded on a net basis. Income (from business and property) or expenses (current transfers) include only actual profit or loss of departmental entities. That is why, when using non-adjusted data of the IMF GFSM 1986 income and expenses will be underestimated.

Analysis of article-by-article comparison of economic classification of expenses by the IMF GFSM 1986 and the IMF GFSM 2001 shows their differences. Thus, remuneration of labor of employees, unlike the IMF GFSM 1986, in the IMF GFSM 2001 social payments, accrued by the government as employer, are not eliminated in case of consolidation of relevant data with data on social security funds. The usage of goods and services, due to the inclusion of payments of expenses, related to the property, except interests, the category of the IMF GFSM 1986 "other purchase of goods and services" approximately corresponds with the category of the IMF GFSM 2001 "the usage of goods and services". In the IMF GFSM 2001, expenses related to property, except interests, belong to separate category "other expenses", subcategory "expenses associated with the property, except interests". The equivalent of aggregated total expenses on goods and services of the IMF GFSM 1986 is absent in the IMF GFSM 2001. In practice, the concept of accounting by the method of accrual "the usage of goods and services" is estimated by deduction of change in stocks of raw materials (are non-strategic stocks) from the value of made purchases. In the system of accounting by the cash method of the IMF GFSM 1986 all purchased raw materials are considered to be "used" at the moment of payment for them, i.e. in the IMF GFSM 1986 the change in inventories of tangible current assets, except for strategic inventories, is equal to zero.

Interests are made of their payments. The concept of accounting by the method of accrual "conventionally calculates interest payments", as it is provided under the methodology of the IMF GFSM 2001 (absent in the system of accounting by the cash method of the IMF GFSM 1986). Subsidies, due to the inclusion of actual loss of departmental enterprises from realization of goods and services to the public, according to the IMF GFSM 1986 almost correspond to the category of subsidies of the IMF GFSM 2001. But in the IMF GFSM 2001 gross expenses of subjects of the public sector relate to different categories of expenses. Grants consist of: current and capital transfer payments to

the national bodies of other levels of public administration, current and capital transfer payments to foreign bodies of public administration, international organizations and supranational bodies. The structure of these categories according to the IMF GFSM 1986 does not provide opportunities for full classification by subcategories of grants of the IMF GFSM 2001 in connection with the absence of differentiation between grants of governments of foreign states and international organizations. This differentiation needs additional information from specific countries.

Social benefits consist of: current transfer payments to households. The category "current transfer payments to households" almost meets social benefits, since it includes transfers that are not considered in the capacity of social benefits in the IMF GFSM 2001 (for example, scholarships and textbooks for education). Categories of expenses of the IMF GFSM 1986 do not provide data on expenses, which are classified as social assistance (for building proper classification in accordance with categories of the IMF GFSM 2001 additional information is required).

Other expenses include: current transfers; payments to non-profit organizations; other current transfers, transferred abroad; capital transfers inside the country to non-financial state enterprises, financial institutions, other companies; other capital transfers transmitted inside the country, and separately capital transfers transferred abroad. These categories of the IMF GFSM 1986 roughly correspond with category of the IMF GFSM 2001 "other expenses", as in the IMF GFSM 1986 data on expenditures, related to property, except interests, are not allocated as a specific category.

Classification of expenses by functions of bodies of public administration (hereinafter – CFBPA) is a detailed classification of functions, or socioeconomic tasks, which intend to solve the units of sector of public administration through different types of spending, and is one of four classifications (classification of expenses by goals). CFBPA can be applied to public expenses of net acquisition of non-financial assets (i.e. the difference between acquisition and disposal). In totality they are called expenses of bodies of public administration.

Classification codes of CFBPA somewhat differ from the structure of other classification codes. Functions of categories of expenses are classified by the three-level scheme. In order to do this, one distinguishes 10 categories of the first level, or categories with two-digit code, that are called sections. Examples of these sections are health care (section 07) and social security (section 10). One must single out several groups or categories with three-digit code, such as hospital services (073), disease and disability (101), in frames of each section. Each group consists of one or more classes or categories with four-digit code, such as services of health centers and houses for those who recover (0734) and disabled (1012). All expenses, connected with execution of the certain function,

are combined into one category of CFBPA, regardless the way of realization of expenses.

CFBPA allows to investigate in time the dynamics of public expenses on the implementation of certain functions or goal. Traditional accounts (reporting) of bodies of public administration are usually unsuitable for this, as they reflect the organizational structure of bodies of public administration. Temporary rows can be misrepresented not only because of organizational changes, but also due to the fact, that at some moment of time, some organizations may be responsible for the execution of several functions at once, and the obligation to implement a single function can be distributed among several organizations.

Despite the fact that classifications of the GFSM 2001 / CFBPA and of the GFSM 1986 are very similar, there are also significant differences, which can be summarized as follows.

GFSM 2001 does not include the category "expenses, not classified by major groups". Articles, which are classified in the GFSM 1986 as expenses, not classified by major groups, in the GFSM 2001 are classified as "public services of common designation". The GFSM 2001 includes the new category "environmental protection". The GFSM 1986 does not provide separate classification of these types of expenses, but some of them, particularly related to environmental protection, are included in the category of "housing and communal services".

The GFSM 2001 classifies expenses on research and development (hereinafter – R&D) as a separate group (sub-category) in the structure of each section (main category). Most parts of sections of the GFSM 1986 / CFBPA do not single out expenses for R & D as a separate category. In case of classification of data on expenses of the GFSM 1986 in accordance with the base of the GFSM 2001 it is important to acquire additional information in order to make adjustments by taking into account the following.

The GFSM 2001 **provides conditional reassignment** ("rerouting") of fees / assessments for social needs, accrued by the government as an employer, as if the bodies of public administration paid their employees, who would have made then payments in the same amounts in programs of social insurance. As a result, these fees / charges

are not excluded during consolidation. In the GFSM 1986, social charges, accrued by the government as an employer, are excluded during consolidation of data on bodies of public administration, as it is believed, that these operations are carried out between the level of public administration that makes charges and social insurance fund.

During classification of consolidated data of the GFSM 1986 for prior periods in accordance with the basics of the GFSM 2001, there is no possibility to get the data on these social payments accrued by the government as an employer, as they have already been excluded during consolidation. It is important to get detailed information about specific countries in order to include social charges, accrued by the government as an employer. At the same time, indicators of income cash inflows from operating activities of bodies of public administration and related cash payments will be greater than the data on income and expenses in the GFSM 1986, have the same institutional coverage.

Cross-classification of expenses. The GFSM 2001 may have cross-classification of economic and functional classification of expenses. Except data for each type of spending, it is provided for recording of acquired non-financial assets. There are no similar operations in Ukraine.

Thus, program classification is one of the tools of the budgeting system, focused on results, is an ordered list of related projects (types of activities) on fulfillment of specific tasks and achievement of the stated goal. Program classification is applied then, when bodies of state authority and local self-government attach importance not only to the volume of resources spent during the implementation of the fiscal policy, but also to goals, results and impacts of such a policy. At the same time, results and consequences of activity of bodies of state authority and local self-government are estimated by the community on the fulfillment of tasks and achievement of stated goals of fiscal policy.

The conducted analysis of the term of implementation of the budget classifications in different countries (table 2) testifies that Georgia (1996–1997) and Moldova (1996) were the first to implement the budget classification. Tadzhikistan (2005, 2010) and Kirghizia (2007) were the last to implement the budget classifications of different types.

Table 2. The introduction of the budget classification by countries, year

	Albania	Armenia	Azerbaijan	Georgia	Kazakhstan	Kosovo	Kirghizia	Moldova	Montenegro	Serbia	Tadzhikistan	Ukraine
Economic	2001	2008	2005	1996	1997	2000	2007	1996	2002	2002	2005	2001
Functional	2002	2008	2005	1996	1997	-	2007	1996	2002	2002	2005	2001
Organizational / administrative	2002	2008	2005	1997	1997	2000	2007	1996	2002	2002	2010	2001
Classification of sources of funding	2002	-	-	1996	1997	2000	-	1996	2002	2002	2010	2001
Program	2002	2004	-	1997	-	2000	-	2003	2004	2006	-	2001
Other	-	-	2005	1996	-	2005	-	-	2007	2006	-	2001

Source: compiled basing on [10].

Conducted researches in twelve countries in terms of the use of types of the budget classification indicate that the economic classification is used in 12 (100%) surveyed countries, functional – in 11 (91.7%), organizational / administrative (departmental) – in 12 (100%), sources of

funding – in 7 (58.3%), program classification – in 7 (58.3%) surveyed countries. Full information and additional types of the budget classification by countries are listed in the table 3.

Table 3. Application of types of the budget classification in different countries

	Albania	Armenia	Azerbaijan	Georgia	Kazakhstan	Kosovo	Kirghizia	Moldova	Montenegro	Serbia	Tadzhikistan	Ukraine
Economic	+	+	+	+	+	+	+	+	+	+	+	+
Functional	+	+	+	+	+		+	+	+	+	+	+
Organizational	+	+	+	+	+	+	+	+	+	+	+	+
Classification of sources of financing	+				+	+			+	+	+	+
Program	+	+				+		+	+	+		+
Other	Albania – geographical (regional, municipal and communal levels); Azerbaijan – profitable; Georgia – classifications of financial assets, nonfinancial and attracted assets; Kosovo – project; Moldova – special funds of the register: donors of investment subjects; Montenegro – project; Serbia – subprogram; Україна – profitable, temporary classification of expenditures and credit financing of local budgets.											

Source: compiled basing on [10].

Conducted survey of representatives of 12 countries concerning plans to change / replace any segment of the budget classification indicates that in the next 3-5 years plans to change / replace / add any segment of the budget classification exist in 8 of 12 surveyed countries (66.7%). Economic segment is planned to be changed / replaced / added in 4 countries (Azerbaijan, Moldova, Tadzhikistan, Ukraine – 33.4%); functional – in 3 countries (Azerbaijan,

Moldova, Tadzhikistan – 25%); organizational / administrative – in 5 countries (Albania, Azerbaijan, Kyrgyzstan, Moldova, Ukraine – 41.7%); sources of funding – in 1 country (Moldova – 8.4%). Program element is planned to be implemented in 7 countries (Albania, Georgia, Kirghizia, Moldova, Serbia, Tadzhikistan, Ukraine). Other segments – 2 countries (Azerbaijan, Tadzhikistan – 16.7%). Data of the conducted survey are presented in the table 4.

Table 4. Generalized information about change / replacement of the segment of budgetary classification on different countries

	Albania	Armenia	Azerbaijan	Georgia	Kazakhstan	Kosovo	Kirghizia	Moldova	Montenegro	Serbia	Tadzhikistan	Ukraine
Yes/no									no			
Economic		-	* in 2010		-	-		** in 2012			* in 2012	* in 2012
Functional		-	* in 2010		-			** in 2012			*	
Organizational / administrative	* unidentified	-	* in 2010		-		* in 2011	** in 2012				** in 2011
Classification of sources of financing		-			-			** in 2012				
Program	** unidentified	-		** in 2010, 2012	-		** unidentified	** in 2012		** in 2013	** in 2011	** in 2014
Other			* Profitable, in 2010								** territorial segment 2012	

Note: * – change; ** – implementation.

Source: compiled basing on [10].

Conducted analysis of the budget classification testifies the need to improve the current budget classification of Ukraine in accordance with the IMF GFSM 2001. This will serve as a basis for the introduction of the method of accrual in the public sector, preparation and presentation of accounting statistical information (about the fiscal system by structured institutional sectors, segments of national economy, with separate singling out of sector of public administration). Most countries of the world took the IMF GFSM 2001 as the basis of accounting in the public sector and conducted public administration reform in accordance with international standards of financial statistics, established in the IMF GFSM 2001.

International Federation of Accountants formulated four basic accounting methods during the process of the development of IFRSPS [11]:

- cash method (provides for registration of all events in accounting by cash flow, reduces to accounting of earnings and cash outflow in the accounts of the budget (at the same time, no assets and liabilities, except budget funds, are recorded in accounting);
- modified cash method (gives the opportunity to register both operations on cash flow of budgets and additional assets and liabilities);
- modified method of accrual (provides accrual of income and expenses and their recognition during transaction (at this time depreciation is not charged, non-financial assets and assets are written off to expenses immediately after acquisition);

- method of accrual (recognition of all transactions at the moment of their occurrence and write-off of assets to expenses proportionally throughout the all term of useful life).

Thus, the cash method of accounting involves the recognition of transactions on the basis of analysis of used resources and the method of accrual – the change of economic value of assets and liabilities. Under the method of accrual accounting objects are: assets, liabilities, income, expenses, financial result or net value, accounts of accounting of limitation (authorization) of expenses and legal liabilities. Under the cash method accounting objects are: cash receipts, cash outflow, financial result and calculations, financial assets and liabilities related to cash receipts and outflow, as well as accounts of accounting of limitation (authorization) of expenses and legal liabilities.

During the usage of the cash method, expenses and income are taken into account only when they are connected with monetary transactions.

Cash method has a number of advantages: easiness of usage helps to simplify operations during the preparation of reports (it allows to guarantee timeliness of its preparation, reliability and comparability); gives the opportunity to evaluate compliance of expenses to assignments from the budget (consistency of income and expenses); does not require high skilled workers of accounting services.

Despite its simplicity, cash method has several disadvantages and limitations: subjectivity in determination of the time of registration or recognition of transaction; the limited coverage of operations by cash flows of the reporting period; failure to satisfy the need for information on assets, liabilities, impact of current consumption on stocks of assets; absence of identification of debt liabilities if there are payables and receivables at the end of the reporting period; mismatch of goals of monitoring of the quality and efficiency of activity of public authorities and of assessment of effectiveness of implemented programs.

According to definition of IFRSPS, the method of accrual is a method of accounting whereby all transactions and events are recognized when they occurred, not at the moment of reception or payment of cash or cash equivalents (which is done according to the cash method). Accordingly, transactions and events are registered in accounting registers and are reported in financial statements of those periods to which they relate. Under the method of accrual, transactions that increase the value of assets are considered as income, in turn operations that reduce net assets are considered as expenses. The method of accrual takes into account transaction, in particular transaction at the time of their realization, regardless of income or expenditure of funds from the account, in other words, transactions are accounted at the moment of appearance of commitment, not at the moment of payment.

The method of accrual has a significant advantage compared to other methods of accounting due to the fact that it allows to display the real economic situation: registration or recognition of expenses at the moment of their commitment; records of all resource flows, including those that do not give rise to cash flows, but also affect the cost of services (such as depreciation of fixed assets); the possibility to obtain information on the status of assets and liabilities; existence of separate accounting of cash flow and legal obligations related to it, but inconsistent in the interim period (reception of the cash flows and the right of their reception, disbursement of cash and legal obligation to pay out cash); possibility of accounting of non-cash transactions, such as mutual offsets, creation of reserve and payment of accounts payable.

Successful implementation of the use of the accrual method in accounting of the public sector depends on the use, first of all, of the terminology according to the Glossary of terms of IFRSPS, prepared in the book "International Financial Reporting Standards of the Public Sector" (published in 2010, official translation – 2012). Analysis of the presented terms [12] indicates that of 226 terms (presented in Articles of IFRSPS), only 52, i.e. 23%, comply with terminology prescribed in N(R)SAPS. Another 63 terms are fixed in N(R)SAPS, but they do not meet the definition of IFRSPS (they take into account merely national peculiarities and traditions of Ukraine). In other words, only 155 (52 + 63) terms, presented in Glossary, were determined (51% [115 : 226] from the total quantity). The remaining terms – 111 (226 – 115), or 49%, were not included in the N(R)SAPS.

Accounting procedures during application of the method of accrual reflect the nature of operations and economic events. In the result of this the validity, neutrality, timeliness, completeness and comparability of accounting data increase, as they allow to get comprehensive information about costs, promote the adoption of more informed decisions about resource allocation; increase the responsibility of managers for results of management (there is monitoring of ratio between the value of services and the costs for their provision). Recording in accounting by means of the method of accrual of non-cash transactions that affect transactions in the public sector, will let to determine actual costs for them and to ensure transparency of information.

Findings of this research and perspectives of further developments in this area. Thus, conducted researches indicate that the development of the revised budget classification and the introduction of the method of accrual in Ukraine must be directed to:

1. Re-orientation of budgets to the achievement of final results, including by means of increasing the independence and accountability of participants of the budget process at all levels of budget system and administrators of budget funds.

2. Bringing the structure of functional classification of expenses in line with the basic functions, performed by public authorities (local authorities).

3. Reconciliation of the budget classification with international standards of financial reporting and statistics of public finances and creation of conditions for implementation of integrated budget classification with the Chart of Accounts in the Public Sector [13], based on the method of accrual, which will provide an objective assessment of the financial result (profit or deficit) of activity of the sector of public administration.

4. Bringing the structure of the budget classification in line with economic content of operations in the public sector; its improvement (in terms of revenue classification, economic classification of expenses and classification of sources of financing) and concordance with the Chart of Accounts for the Public Sector [13]. This will give the opportunity to: automate accounting in full; to ensure the unity of budget accounting during the performance of budgets of all levels; to differentiate objects of competence and power between central and local authorities, state authorities and local self-government, system of giving social benefits, changes in the fiscal area; to make an assessment of activity of the sector of public administration.

5. The introduction of the method of accrual in accounting in order to ensure transparency in the fiscal sphere and increase the responsibility of individuals for its implementation. Considering this, it is necessary to develop the Plan of

measures of gradual introduction of the method of accrual per objective for administrators of budgetary funds and funds of obligatory state social insurance and pensions and to carry out its implementation since 2016 (after reviewing of the regulatory framework – the preparation, as it was noted earlier, of the draft of the "Instruction on the Use of the Chart of Accounts in the Public Sector" [14] and updating of the "Instruction on Compiling and Rendering of annual, quarterly and monthly budget reporting". The content of these documents should include rules and procedures on the use of National Accounting Standards (N(R)SAPS). At the initial stage on operations on implementation of the state and local budgets it would be appropriate to use the cash method with its gradual approach to the method of accrual.

6. Convergence of national terminology to international one, it is necessary to introduce it gradually into the Codes – the Budget, the Civil, the Labor Code of Ukraine, the Law "On Accounting and Financial Reporting in Ukraine", N(R)SAPS and other regulations concerning accounting objects.

7. Preparation of Guidelines for effective usage of budget funds in the public sector (there should be general approaches) and in the context of administrators of budgetary funds (taking into account the specificity of their activity).

8. The development and adoption of common approaches to formation of the Depreciation Rates in the Public Sector, and concerning each subject of the public sector – the development of branch Depreciation Rates and the Guidelines on Their Application (before the implementation of N(R)SAPS 121 "Fixed Assets" and N(R)SAPS 122 "Intangible assets" depreciation was not charged).

Implementation of these measures will contribute to the implementation of the budget classification in accordance with the requirements of the IMF GFSM 2001 and the phased introduction of the method of accrual in the public sector.

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БЮДЖЕТНА КЛАСИФІКАЦІЯ ЯК ОСНОВА ЗАСТОСУВАННЯ МЕТОДУ НАРАХУВАННЯ В ДЕРЖАВНОМУ СЕКТОРІ

Досліджено складові бюджетної класифікації України, що використовується для ведення бухгалтерського обліку та виконання бюджетів різних рівнів. Запропоновано п'ятирівневу ієрархію нормативних документів відповідно до міжнародної практики. Зроблено аналіз бюджетної класифікації України та розробленої відповідно до IMF GFSM 2001 р., як основу для застосування методу нарахування в державному секторі. Внесено пропозиції щодо вдосконалення бюджетної класифікації та методу нарахування.

Ключові слова: бюджет; бюджетна класифікація; метод нарахування

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БЮДЖЕТНАЯ КЛАССИФИКАЦИЯ КАК ОСНОВА ПРИМЕНЕНИЯ МЕТОДА НАЧИСЛЕНИЯ В ГОСУДАРСТВЕННОМ СЕКТОРЕ

Исследованы составные бюджетной классификации Украины, которая используется для ведения бухгалтерского учета и выполнения бюджетов различных уровней. Предложена пятиуровневая иерархия нормативных документов в соответствии с международной практикой. Проведен анализ бюджетной классификации Украины и разработанной в соответствии с IMF GFSM 2001 г., как основа для использования метода начисления в государственном секторе. Внесены предложения по совершенствованию бюджетной классификации и метода начисления.

Ключевые слова: бюджет; бюджетная классификация; метод начисления.

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STATEAID AS EFFECTIVE MECHANISM OF STATE REGULATION AND SUPPORT OF SMALL AND MEDIUM ENTREPRENEURSHIP

In the article there is analysed the main approaches to the definition of state aid, including made by EU regulatory documents such as, for example, the Treaty Establishing the European Community and the Treaty on the Functioning of the European Union. Also there is considered the role and importance of the state aid in ensuring the effective functioning of mechanism of state regulation and support of small and medium enterprises. There is studied the experience of state support in the form of state aid to a number of European countries and legislative regulation of state aid in Ukraine.

Keywords: entrepreneurship; state regulation; state aid, grants, tax allowance, subsidy.

Introduction. Under current conditions business is a key factor in the economic development of all developed countries. Owing to business, especially SMEs, there is achieved efficiency of existing industries and creation of new enterprises through the introduction of new technologies, contributing to increased demand for material and labour resources and the growth of new products market and, consequently, material welfare of the population. Therefore, entrepreneurship is recognized as one of the main factors of political and social stability of the society.

Modern economic policy recognizes not only the effectiveness of small business, but also need of the state and society to support its development, since the effective functioning of this economy sector provides a stable economic situation in the country, employment and welfare of citizens.

However, the current state of business indicates the presence of significant problems in it, including poor regulation of entrepreneurial activity by the state.

State regulation of business should enforce competition policy and, therefore, the regulation of business in modern conditions should be one of priorities of the state economic policy in Ukraine.

Therewith, it is necessary to agree with scientists who stress that in the event of assessment of the feasibility of government interference in the market functioning we should consider the goals of government regulation, as realistic goals that relate to government regulation often do not coincide with the declared objectives and reflect the interests of different groups of political impact [1, p. 4].

Thus, an important part of the mechanism of state regulation of business should be a system of its support and stimulation. Domestic business entities are characterized by insufficient of their own financial resources and floating capital. This limits their opportunities for business development and modernization of business processes.

The lack of own funds resulted low efficiency of domestic financial investment funds and limited capacity of small and medium enterprises [2, p. 51]. A comprehensive approach to this problem can be achieved through development of national and regional programs to support enterprises that would contribute to its development.

Methodology. Such domestic and foreign scientists as V. Geyets, Z. Varnaliy, T. Vasylytsiv, V. Sizonenko, I. Mazur, A. Pisapia, C. Buelens and others pay attention to study of state financial support of business entities. State aid policy helps to reduce disparities between the different regions and is therefore a factor for growth and stability, so supporting the less competitive regions as well as the small and medium enterprises.

The aim of the article is to study the basic methods of state support of business entities in Ukraine and the EU,

implementation of their comparative analysis, formulation of recommendations for improving the regulation of state aid in Ukraine considering the experience of the EU countries.

Results. The current system of support and stimulation of business activity includes the following elements: financial, material and technical, scientific and technical support and assistance in development of infrastructure and state regulatory policy [3].

The main forms and methods of state finance and investment support of business development are: governmental grants, subsidies, subventions; state and local orderings; loans and guarantees of state and regional authorities; financial support of national funds and regional financial institutions; promoting entrepreneurship development. Having targeted and privileged character, government lending of business holds a special place among the financial instruments. The above enumerated financial instruments are nothing else than state aid.

The issue of state aid granting in the EU legislation is formulated in the Treaty Establishing the European Community [4]. In particular, articles 87, 88, 89 contain the basic state aid provisions. Thus, it should be noted that the main provisions of articles 107 and 108 of the Treaty on the Functioning of the European Union [5] consider state aid (depending on its nature (at the cost of state) and its consequences – creation of selective advantage combined with excessive or unacceptable effect on trade and competition) incompatible with the common market, that is, essentially prohibiting its granting. However, sometimes it is profitable for the economy and supports growth and other political goals. So, regulatory system of EU state aid is aimed at ensuring that the state interventions do not affect competition and trade. These rules contain Provisions of the original Treaty Establishing the EU, which have remained virtually unchanged for many years, and the corresponding current provisions of articles 107-109 of the Treaty on the Functioning of the European Union, which entered into force in December 2009 [6].

State aid granting rules are designed to prevent the use of this support in cases that violate competition and free trade in the EU. So the EU legislation does not completely prohibit state aid, but studies in details and regulates its granting to minimize state effect on competition.

Thus, by definition of the European funding network, the term "state aid" refers to form of assistance at the cost of state financial resources used to support organizations or enterprises.

According to the EU legislation, the main criterion for determining state aid is a distortion of competition and effect on trade between Members of the EU, in other words, promotion of a certain economic activity by providing pref-

erences. In addition, the criteria for determining aid are to extent transfers of state funds, provide economic benefits and selectivity.

The EU legislation recognizes the negative effects of state aid on competition distortions and later negative impact on investment decisions, reducing incentives for entrepreneurship.

While the EU Treaty does not include a precise definition of what state aid constitutes, the EU Commission announced that it comprises:

- Grants
- Direct subsidies
- Tax allowances
- Preferential interest rates
- Loan guarantees
- Providing goods or services on favourable terms
- Payments against losses
- Contracts closed to tender.

The rules limit the support that the state sector can provide to NGOs working in the commercial or business environment. They do not apply across the whole industry, but where support may hinder fair competition with other companies.

However, the structural funds are considered national resources and, therefore, can be equated to state aid. It should be noted that in the cooperation with the European Structural Funds (ESF) it is also necessary to follow the rules of state aid granting in cases where it constitutes state aid [7].

Based on the aims of state aid granting, it is divided into horizontal and sectorial. Horizontal aid is generally directed to regional development, SMEs and is fairly accessible to all business entities in all or in many industries. Sectorial state aid is directed to an industry where there are certain structural problems, such as coal industry. Quite often among others EU countries apply direct state aid to support such industries.

It should be noted that state aid to small and medium enterprises is an important and often vital condition for the existence of the business. This is evidenced by the experience of state support of small and medium businesses in the world.

Thus, in Germany the government provides great support to SMEs through loans and subsidies. From the budget they grant preferential investment loans, especially in the development of high-tech industries, loans to create their own businesses. Loans are issued to enterprises not directly but through their banks that provide money back guarantees. State support for small business is aimed primarily at ensuring its financial independence. The federal program subsidizing SMEs has a special section of help for improvement of interest of equity funds, which amounted to about 30% of all subsidies [8].

In Italy there is developed a system of state financial support to small business through subsidies and preferential loans of certain areas of small business and cooperatives and consortiums that bring together small enterprises.

State aid can be provided to support a wide range of activities, including research and development, environmental protection and help to small and medium businesses. State aid provides good support necessary to achieve growth and other important goals [9].

Under the main provisions of the European funding network it is possible to determine state aid considering the following four questions before making a decision to refuse from state aid, such as:

- aid is provided directly by the state or through state resources;
- aid provides selective advantage to the enterprise ("Enterprise" in this context is an entity that is engaged into economic activity, with the charity or public benefit organization receives resources);
- aid violates or may potentially violate competition;
- aid influence the trade between EU members [7].

In the EU Commission there are a number of rules and principles that provide guidance on how "enterprises" (subjects which carry out economic activity) may get support from state resources and, therefore, are not subject to state aid rules.

Also, it should be noted that for support of small and medium-sized enterprises (hereinafter – SMEs), member states may use different tools that are not considered state aid, such as measures of general support which may include general reduction in the taxation of wages and social spending, boosting investment in general education and training, measures to provide guidance and counselling, general assistance and training for the unemployed and improvements in labour law are not a state aid and therefore can be immediately implemented by member states. Some of the measures contained in the Small Business Act, such as reducing delays in payments to improve cash flow of SMEs or proposal of the EU Commission that small businesses should be exempt from excessive burdens on accounting rules and statistical reporting also do not entail a state aid.

SMEs are eligible for all aid categories allowed under the EU State Aid Rules and for those categories of aid measures that can also be granted to large enterprises, so SMEs benefit from a larger volume of aid [10, p.4].

In particular, there are set clear conditions for granting state aid to SMEs, namely:

- The maximum level of aid defined by the rule of minimal aid amounts to EUR 200 000 (cash grant equivalent) over a three-year financial period.
- The maximum level of aid will be applied to the total sum of all state aid, which is considered a minimal aid. This will not affect the ability of the recipient to receive other state aid under schemes approved by the EU Commission, without prejudice to the cumulation rule described below.
- The maximum level of aid will be used to all types of aid, regardless of the form it takes or the objective it pursues. The only type of aid which is excluded from the rule of minimal aid – export aid.

This regulation only refers to "transparent" forms of aid which means aid for which it is possible to determine in advance the gross cash equivalent without the need to carry out risk assessment [10, p.8].

Ukraine also has considerable experience in providing state aid to enterprises and organizations, although for a long time this process did not meet the standards above and which European countries obey. Lack of state aid control has always been a weakness of the public finance management and led to the use of selective state support to certain enterprises, which, in its turn, distorted competition. Due to more rational allocation of scant budgetary resources it is necessary to ensure transparency and develop modern regulation in the field of state aid.

In Ukraine, state support in the form of guarantees, tax allowances and other preferences often was provided only to certain large enterprises, large capital. Thus, an example of different types of state support that was given to a group of companies Activ Solar to build solar power plants is exemplary. In 2010 this group of companies received a loan

in the state bank (458 million EUR), paid interest on the loan due to the aid from the state budget (200 million UAH), brought from abroad exempt from customs duties and VAT equipment for building solar power plants, received a state subsidized lease of several hundreds of hectares of land, and lobbied for the adoption of the necessary legislation, everything that completely monopolized the Ukrainian market. In fact, Aktiv Solar received state aid for the development of the business and with that monopolized market that precluded the emergence of any competition, even in the future [11].

Therefore, recently Ukrainian legislators are more often turning to international experience and have adopted a number of regulations that should help to order the provision and establishment of appropriate monitoring and control of state aid.

One of the basic Laws that on legislative level determines not only the purposes and principles of the state policy in the sphere of small and medium enterprises, but also its main directions is the Law of Ukraine "On the development and state support of small and medium enterprises" dated 19 April 2012 [12]. According to this Law, among the main directions of state policy there is to ensure financial state support to SMEs by implementing government programs of lending, guarantees for loans and others.

According to Article 15 of the above Law, legislatively fixed types of state support include: financial, informational, consultative support, including support in the sphere of innovations, science and industrial production, support to small and medium enterprises engaged in export activities and other.

Among certain types of the financial support that the state plans to provide through their competent authorities, should be highlighted: partial compensation of interest rates on loans, leasing and factoring payments; provision of guarantee and security for a loans; loans (microcredits) for creation and conduct of business etc. (p. 2, Art. 16 of the Law).

Also, on July 1, 2014 the Verkhovna Rada of Ukraine adopted the Law "On state aid to economic entities" [13] (hereinafter – the Law on state aid), which sets the legal basis of the monitoring of state aid to business entities, control of the admissibility of such aid for competition aimed at protecting and developing competition, enhancement of transparency of the state aid system functioning and compliance with the international obligations of Ukraine in the sphere of state aid.

This law was designed with the participation of the EU Project "Harmonisation of Public Procurement System of Ukraine with EU Standards" and is working to ensure the support of development in Ukraine the system of public procurement and state aid system in accordance with EU standards.

Thus, art. 4 of the Law on state aid includes a list of financial instruments referred to financial aid. It should also be added that state aid can take many different forms, not just loan, tax allowances, grants but also use of state property without payment or at a price below the market, that is, in fact, are certain privileges that the company can get through state participation.

We know that the main driver of business in the modern market system is competition. Due to competition overall efficiency of business activities is achieved. Thus, the competition promotes productive business, creates motivation for reduction of production costs, updating product, looking for new forms of customer satisfaction.

However, state aid is the economic intervention, during which public resources are used to support certain individual entities. Poorly controlled state aid can be devastating for businesses and entire industries, as well as for important economic programs.

In economic literature, for example, there exists the following opinion concerning state aid that since in the Ukrainian budget funds allocated for the development of entrepreneurship are limited, the state bodies must not carry out financial functions to support some small and medium enterprises, but only have to perform insurance functions, guarantee and create favorable legal, informational conditions for nonstate financial institutions for enterprise development [1, p.9].

Accordingly, the Law on state aid should ensure transparency of state aid, as state bodies (or entities acting on their behalf) that provide state aid must report on their intentions to Antimonopoly Committee of Ukraine, which, in its turn, should ensure equal competitive possibilities for all business entities in the market and establish whether such state aid is compatible with the competition rules in accordance with the provisions of section 2 of this document.

Conclusions & Discussion. Accordingly, it can be concluded that, as every country (including all EU and WTO) to more or less extent provides support for economic activity (that is support to industrial sectors, certain companies, regional development, innovations, investments, trade development, small businesses, and key industries such as transport, agriculture and defense industry) by introducing a variety of instruments, including subsidies, tax allowances and other measures, the rejection of such financial instruments of policy of state support of small and medium businesses in Ukraine is not reasonable. But it is important to remember that state aid is not an effective tool in terms of fostering economic growth or investment, only both economic freedom and political stability have a positive and statistically significant effect on investment. Furthermore, total state aid and state aid to industry and services may affect investment positively if the political environment is stable [14, p.1159].

However, state aid should be aimed at creating new production facilities, new working places, technologies, solutions of certain tasks, problems of socio-economic development that cannot be solved without receiving state aid. Characteristics of state aid (size, form and mechanism of granting) must correspond to the problem, the solution of which it is directed, that is, through state aid the recipient has to start, implement activities that would be impossible without state aid, or the possibility of this activity start is limited. Also, when considering the state aid the fact should be taken into account that state aid, for example, should not compensate for current outlays of business entities, especially those operating at a loss, and/or are in the process of bankruptcy.

For this purpose, it is necessary to create a clear, transparent and controllable mechanism for state aid granting to business entities in order to ensure fair competition in the market and taking into account international experience of small and medium businesses support.

The issue needs further research, taking into account European integration and harmonization of Ukrainian standards with EU requirements.

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ДЕРЖАВНА ДОПОМОГА ЯК ДІЄВИЙ МЕХАНІЗМ ДЕРЖАВНОГО РЕГУЛЮВАННЯ І ПІДТРИМКИ МАЛОГО І СЕРЕДНЬОГО БІЗНЕСУ

У статті проаналізовано основні підходи до визначення державної допомоги, зокрема нормативними документами Європейського Союзу такими як, наприклад, Договір про Заснування Європейського Співтовариства та Договір про функціонування Європейського Союзу. Також проаналізовані роль і значення державної допомоги у забезпеченні ефективного функціонування механізму державного регулювання і підтримки малого і середнього бізнесу. Проаналізовано досвід державної підтримки у вигляді державної допомоги ряду європейських країн та законодавче врегулювання надання державної допомоги в Україні.

Ключові слова: підприємництво; державне регулювання; державна допомога, гранти, податкові пільги, субсидіювання.

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ГОСУДАРСТВЕННАЯ ПОМОЩЬ КАК ДЕЙСТВЕННЫЙ МЕХАНИЗМ ГОСУДАРСТВЕННОГО РЕГУЛИРОВАНИЯ И ПОДДЕРЖКИ МАЛОГО И СРЕДНЕГО БИЗНЕСА

В статье проанализированы основные подходы к определению государственной помощи, в частности нормативными документами Европейского Союза такими как, например, Договор о Создании Европейского Сообщества и Договор о функционировании Европейского Союза. Также проанализированы роль и значение государственной помощи при обеспечении эффективного функционирования механизма государственного регулирования и поддержки малого и среднего бизнеса. Проанализирован опыт государственной поддержки в виде государственной помощи ряда европейских стран и законодательное урегулирование предоставления государственной помощи в Украине.

Ключові слова: підприємництво; державне регулювання; державна допомога, гранти, податкові пільги, субсидіювання.

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TARGET CONTROLLING METHOD OF THE PRICING PROCESS IN THE TOURISM ENTERPRISES

Key stages of the pricing process in the tourism enterprises are investigated: subprocess of establishing of nominal value of the new tourism product price and subprocess of adjustment of the established price depending on a situation in the tourism market. For establishing of nominal value of the price it is offered by use of optimizing model, which maximizes the usefulness function of structural parts of the tourism product price. For adjustment of the tourism product price under change of external conditions procedure of installation of the target with use of the process behavior charts of the pricing process is applied.

The new methodology of the pricing process controlling in the tourism enterprises, which based on complex application of methods of the statistical processes control and a method of dynamic programming, is presented in article and fully considers one of key features of the tourism sphere – seasonal fluctuations of the tourism product price.

Keywords: tourism product; pricing process; process target; process behavior chart; method of dynamic programming.

Setting of the problem. Formation and establishing of the tourism product price is one of the major administrative decisions at the level of the tourism enterprise. The price is a main factor of formation of the consumers demand, his stabilization or growth [6, 7, 14, 20, 22]. Correctly created price policy, the proved, consistently realized price strategy

and tactics are necessary components of effective activity of the tourism enterprise. The price is a source of commercial success of the tourism enterprise, is reflected in volumes of realization of a tourism product, profitability and competitiveness, promotes successful activity of the enterprise in the tourism market.

The insufficient attention to pricing can cost very much for the tourist enterprise. Situational approach to pricing is absolutely inapplicable.

The most important principle in pricing is the principle of scientific character, which is based on use of positive tendencies in operation of objective economic laws. This principle demands scientific validity of the prices, it has to consider economic laws and real values of market factors which are available at present. The deep scientific analysis of the market and all his factors has to precede pricing of a tourism product: current legislation, technology of creation of a tourism product and providing tourism services, possibility of their change. Implementation this principle assumes existence of sufficient information base, first of all concerning an economic situation, and also external and internal environment.

Analysis of the last researches and publications.

Process of price formation for a tourism product is an object of research of many scientists in the pricing sphere [16, 17, 21]. However, results of such researches, are generally directed to development of the general, universal methods of pricing. Unlike them, in this article the method which considers specifics of tourism industry [1, 12, 13, 15], first of all – seasonality of the change in price for a tourism product is offered [2, 5, 8].

Methodology. Theoretical and methodological basis are scientific articles of domestic and foreign scientists in the field of pricing, tourism, the general theory of management, the theory of modeling, the theory of decision-making, the theory of programming. The following general scientific and special methods of research are applied to achievement of the purpose of article: methods of theoretical generalization and a method of classification – for the choice of a way of correction of target value of the tourism product price; methods of the analytical and comparative analysis – for research of a seasonality factor of consumption of tourism services; a method of the system and structural analysis and a graphic method – for creating algorithm of methodology of management of the pricing process in the tourist enterprises.

Scientific basis of researches are methods of statistical process control [10, 18, 19, 23-25] and a method of dynamic programming [3, 4, 9, 11].

The progressive methodology of statistical process control (SPC) provides a possibility of optimization of management of processes and adoptions of operational administrative decisions taking into account variability of real processes in difficult social and economic systems.

Methods of statistical process control are a powerful tool for monitoring and analysis of the process variability, for search of reasons and ways of reduction. Unlike expert methods of an assessment of process parameters, statistical methods are objective. Origin of the SPC theory connected with the famous American expert scientist Walter Shukhart who has for the first time allocated two types of variability – the general and special. He has offered the simple and effective instrument of statistical regulation of quality of processes, which has received the name "Shukhart's control card" or "process behavior chart" [23].

In figure 1 it is shown one and classical examples of the of process behavior chart. There is an average line $CL = \bar{x}$; LPL , UPL – respectively the lower and upper limits of an indicator which are set in a directive way: lower natural limit of an indicator $LNPL = \bar{x} - 3\sigma$, and upper natural limit $UNPL = \bar{x} + 3\sigma$, where \bar{x} – average value of an indicator, σ – mean square deviation of an indicator.

The process behavior chart and other visual SPC tools are a simple and effective method of the solution of the problems, which arising in the organization at implementation a management by the process approach. The main idea of use of control cards for management of the pricing process in the tourism enterprises consists a differentiation of the general and special reasons of the process variability. In other words, if values of the tourism product price do not go beyond certain limits or do not show other signs of instability, then intervention in such process will only damage to him. Only in case of the special reasons of variability, it is necessary to interfere with pricing process for destruction of these reasons.

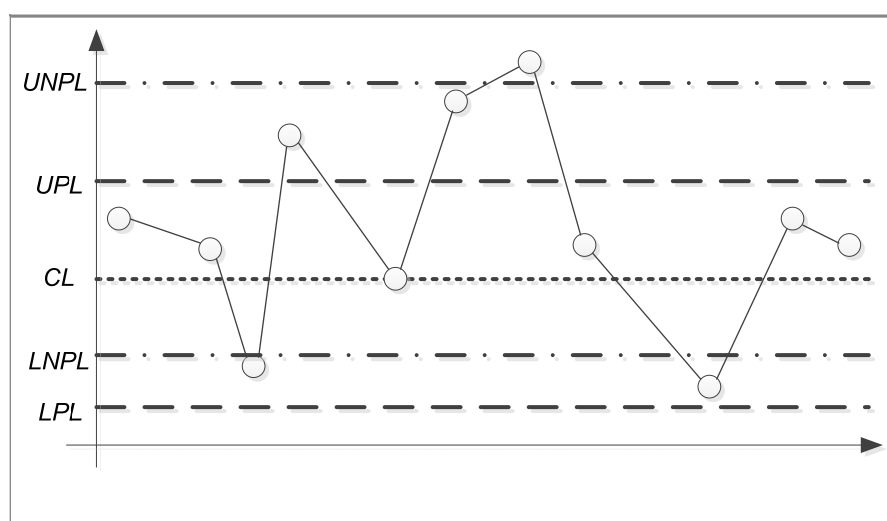


Fig. 1. The general structure of the process behavior chart

Source: authors' assessment

Dynamic programming method is as follows [3]. Suppose that the system S is operated and is in a state $S_0 \in \bar{S}_0$,

where \bar{S}_0 – set of initial states. Under the influence of some

control U the system passes from an initial state S_0 in the state $S_k \in \bar{S}_k$, where \bar{S}_k – set of final states. Quality of each of certain controls U is characterized by the corresponding value of function $W(U)$. The task is as follows: it is necessary to find from a set of possible controls such U^* , at which the function $W(U)$ accepts extreme (minimum and maximum) value $W(U^*)$. The system S is called dynamic system, and tasks, which are stated in this model, are called problems of dynamic programming. For implementation a method of dynamic programming performance of such two conditions is necessary. The state of dynamic system S on step k ($k=1 \dots n$) is defined by set of numbers $X^{(k)} = (x_1^{(k)}, x_2^{(k)}, \dots, x_n^{(k)})$, which are received as a result of realization of $c u_k$, and they provide transition of system S from a state $X^{(k-1)}$ to state $X^{(k)}$.

1. At the same time we consider that the state $X^{(k)}$, into which the system S has passed depends on this state $X^{(k-1)}$ and the chosen control u_k and does not depend on how the system S has come to a state $X^{(k-1)}$. This condition carries the name "condition of lack of an after-effect".

2. If as a result of realization of k step a certain prize of $W_k(X^{(k-1)}, u_k)$, which depends on a state $X^{(k-1)}$ and the chosen control u_k , then total income for n of steps:

$$F = \sum_{k=1}^n W_k(X^{(k-1)}, u_k).$$

This condition carries the name "condition of additive of criterion function".

Follows from this principle that the general optimum strategy of control U^* which is equal $U^* = (u_1^*, u_2^*, \dots, u_n^*)$ can be received if at first to find optimum strategy of control on a step n (W_n^*), then on two last steps (u_{n-1}^*, u_n^*), then on three last steps ($u_{n-2}^*, u_{n-1}^*, u_n^*$) etc. to the first step.

Article purpose – development of new methodology of management of the pricing process in the tourist enterprises which fully considers one of key features of the tourism sphere – seasonal fluctuations of the tourism product price.

Results. The formation of price for the tourism product can effectively investigate based on the process approach. The main advantage of the process approach to a problem of the formation of the tourism product price is that it allows you to track the contribution of each business process in the total result.

Any business process of the tourist enterprise directly or indirectly influences pricing of a tourism product.

In the pricing management process in the tourism enterprise it is possible to allocate three important subprocesses:

- 1) initialization, analysis and assessment of influence factors on the tourism product price;
- 2) establishing the new price of a tourism product;
- 3) adjustment of the price depending on a situation in the tourist market.

The first stage, certainly, is very important. But this article is devoted to research of the second and third subprocesses. Establishing the new price of a tourism product is reflection of the certain nominal value connected with the costs level of formation of a tourism product and level of his usefulness for the tourist as the final user of this product.

One of the main problems of management in the tourism sphere is absence the standard (target, optimum, nominal) values for indicators of the majority of processes. The problem of a quantitative assessment of the tourism

product price in most cases attracts lack of scientific approach to creation of a control system of the pricing process in the tourism enterprises.

We will establish the task of development of the economic-mathematical model for search of nominal values of key indicators of the pricing process, based on optimization of components of the tourist product price.

By search of nominal values of key process indicators target function expresses usefulness of such indicators in system of pricing. Coefficients of target function contain the corresponding weight coefficients of importance for various elements of the price. Weight coefficients, as a rule, are defined by expert methods.

Resource restrictions of activity processes of the tourism enterprise can be divided into 4 groups: personnel, which set the number of specialists in pricing; financial, defining the budget of process; information which indicate the providing level of the pricing process with information resources; the material, considering a status of infrastructure of process.

Thus, the model can be presented in the form:

$$F = \sum_{j=1}^n w_j x_j \rightarrow \max, \quad (1)$$

$$\sum_{j=1}^n w_j = 1, \quad (2)$$

$$\sum_{j=1}^n g(x_j) \cdot x_j \leq b_i, \quad i = 1, 2, \dots, m \quad (3)$$

$$x_j^{\min} \leq x_j \leq x_j^{\max}, \quad j = 1, 2, \dots, n \quad (4)$$

In this model F is the usefulness function of a set of indicators $x = \{x_1, x_2, \dots, x_n\}$ with the corresponding coefficients of importance from a set $w = \{w_1, w_2, \dots, w_n\}$,

which elements meet a condition of rationing (2). The system (3) may contain personnel, financial, information, material and other linear or nonlinear resource restrictions. Double inequalities of a look (4) include the upper and lower limits of standard values of indicators. In case of lack of such standards the inequality (4) has to be replaced with a simple condition of nonnegativity value of an indicator x_j with number j .

The third stage of the pricing management process is more difficult. It consists in adjustment of the tourism product price and her stabilization at such level, which as a result provides to the tourism enterprise the maximum annual profit.

At this stage there is a check of coherence of nominal value of the price received as the solution of an optimizing problem (1)-(4) with average value of an indicator on the process behavior chart. In this regard it is necessary to give concept of target value, nominal value and average value of an process indicator [24].

We will call target value or the process target separate value or a set of values of an indicator to which it is directed process (is adjusted). If the target is exact coincidence to a sample, then as target the unique value of an indicator acts. If the process target of is the tolerance, then target values represent an interval (as a rule, symmetric concerning a standard) which ends coincide with limits of the admission and in which process are considered as qualitative.

Average value of process call the arithmetic average of some characteristic of process received from the moment of establishing a target.

We will call nominal value as optimum value of a process indicator, which the maximum usefulness or the minimum loss in the conditions of the available process restrictions is reached.

D. Wheeler and D. Chambers [24] give simple interpretation of the key concepts defined above: "the target is what you have set; an average – what you have received, and nominal value – what you wanted to receive".

We will review an example of formation process of a tourism product which opens contents of the terms "nominal value", "average value", "target value" and "correction of the target".

Under the unstable work of hotel business actual the problem of the guaranteed providing necessary number of rooms in hotels is. Let it is necessary to reserve for formation of a tourism product S hotel rooms. For increase of probability of providing with necessary resources for accommodation of tourists the tourism enterprise has concluded agreements about reservation of rooms with n by hotels. At the same time hotel i have undertaken to provide s_i ($i=1, \dots, n$) rooms for clients of our tourism enterprise. It is obvious to fulfill obligations when forming a tourism product it is necessary that the condition $\sum_{i=1}^n s_i \geq S$ was

satisfied. We will assume that at realization of process of the tourism product formation the hotel i has provided r_i ($i=1, \dots, n$) hotel rooms, where $0 \leq r_i \leq s_i$. Then, the nominal value of process is equal to S ; average value is $\sum_{i=1}^n r_i$, and the target of process is $M = \sum_{i=1}^n s_i$. If in practice it

turns out that the tourism enterprise gets quantity of hotel rooms of less S , then it will be necessary to carry out correction of the target by increase in M . It can be done, for example, having concluded additional agreements with other hotels or having changed suppliers of hotel services on more responsible.

However, no procedures of target control are capable to provide exact coincidence of an average and nominal value of the tourism product price. The best option, which can be reached in practice, is a proximity of an average and nominal value. Thus, the target is a certain tolerance from nominal value. However, it is obvious that initial establishing of the target does not guarantee proximity of average value and nominal value for a long time at all. The main problem of control – to hold deviations of average value of key process indicators in certain admissible limits. At the same time, if average value is rather close to nominal, then intervention in process will only damage to him. If value of the characteristic of process exceeds a tolerance from nominal value, then it is necessary to carry out correction of the target – the operating impact on process for the change of average value.

One of widespread techniques of the target process control is the technique of use of individual values of indicators [24] which gives the chance of target correction after emergence of each next value of the parameter of process.

The technique of the correct control for the target is an effective tool of pricing management process for the fixed nominal value of the tourism product price. Unfortunately,

tourism is subject to influence of various external factors, one of which is the seasonality factor [2].

Authors allocate four seasons of tourism activities for degree of intensity of trips:

1) a season peak – the optimal period for the organization of recreational activity of people which is characterized by the maximum density of tourists and the most comfortable conditions for rest;

2) a season high – the period of the great business activity in the tourism market, time of action of the high tariffs for a tourism product and service;

3) a season low – the period of decrease in business activity in the tourism market of which the low prices of a tourism product and services are characteristic;

4) a season "dead" – the most adverse period for the organization of recreational activity.

It is obvious that a strategic objective of the tourism enterprise is receiving the maximum profit after all four seasons. And to set a problem of maximizing profit at any cost in each of seasons senselessly. Price strategy, so and the purpose, which is her cornerstone has to change from a season by a season. For effective the pricing process management in the tourism enterprise taking into account a seasonality factor we suggest to use the method of dynamic programming.

At the same time we will understand the pricing process in the tourist enterprise as dynamic system S . Initial S_0 and final S_k a status of system corresponds to initial and final date of the period of research of the pricing process. The control U – is a procedure of the target establishing of pricing process by means of which we can influence average value of the price of realization of a tourism product. The quantity of statuses of the pricing process is determined by quantity of seasons of tourism activity. The Bellman's optimal principle for the dynamic pricing process will be such: whatever was the price level of a tourism product in the previous season, target value of the price in the next season needs to be chosen so that the profit of the tourism enterprise in this season in the sum with profit of all subsequent seasons was maximum.

We will consider the following designations.

j – serial number of a season; n – quantity of seasons; i – serial number of value of the tourism product price;

CL_j – the average line of the process behavior chart (average value of the price in season j);

UPL_j – the upper control limit of process (the target value of the price directed to maximizing profit of the tourism enterprise during season j);

LPL_j – the lower control limit of process (the target value of the price directed to maximizing profit of the tourism enterprise during season j);

NP_j – the nominal value of the price, which calculated as solution of problem (1)-(4) for season j ;

x_i – value of an indicator with number i ;

x_s – the average value received from the moment of the last adjustment of the seasonal price;

$x^*(j)$ – nominal value of the price for season j ;

$x_0(j)$ – target value of the price for season j ;

W_j – nominal value of the price for season j ;

W – size of the general annual profit of the tourism enterprise.

Graphic interpretation of key values of the price in the target controlling method of the pricing process is presented in fig. 2.

In fig. 3 the scheme of methodology of the pricing process management in the tourist enterprises which is based on

complex application of methods of statistical process control and a method of dynamic programming is submitted.

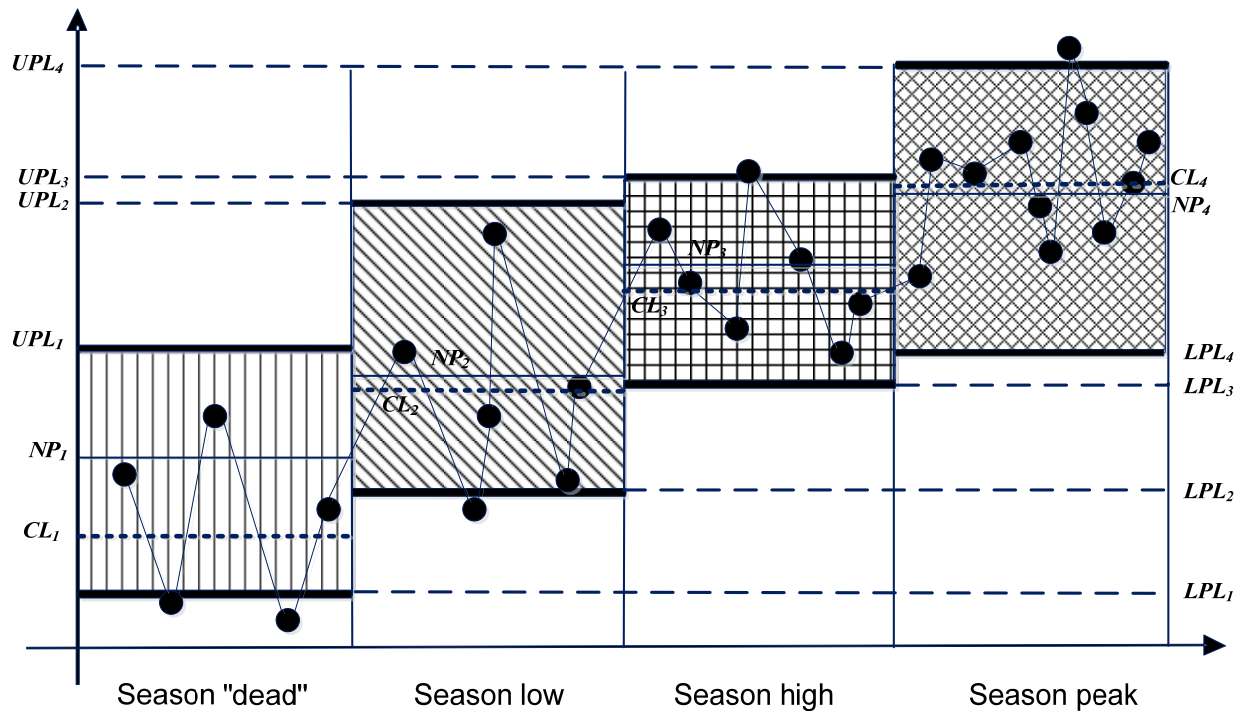


Fig. 2. Graphic interpretation of key values of the price in the target controlling method of the pricing process in the tourism enterprises

Source: author's design

Conclusions and discussion. The new methodology of the pricing process management in the tourism enterprises is presented in article. Procedure of the choice, establishing and control of target of the pricing process is the cornerstone of this methodology. Correctly the target and its effective correcting provides to the tourism enterprise the maximum profit on realization of a tourism product. For procedure of the target correction it is necessary to determine the price nominal value previously. For establishing of the price nominal value it is offered to use optimizing model which maximizes function of usefulness of structural parts of the price of a tourism product. Further realization of methodology consists in complex application of methods of statistical process control and a

method of dynamic programming and fully considers one of key features of the tourism sphere – seasonal fluctuations of the tourism product price.

In the conclusion it is necessary to allocate unresolved problems of the pricing management in the tourism enterprises. One of such problems is the problem of quantitative estimation of many elements of the tourism product price and with uncertainty of indicators of some business processes in the tourism enterprise. At last, we identify one more problem, which is called influence of a human factor.

Completely it is impossible to get rid of these problems, but it is necessary to set a task of the maximum accounting of uncertain parameters and influence of a human factor on pricing process.

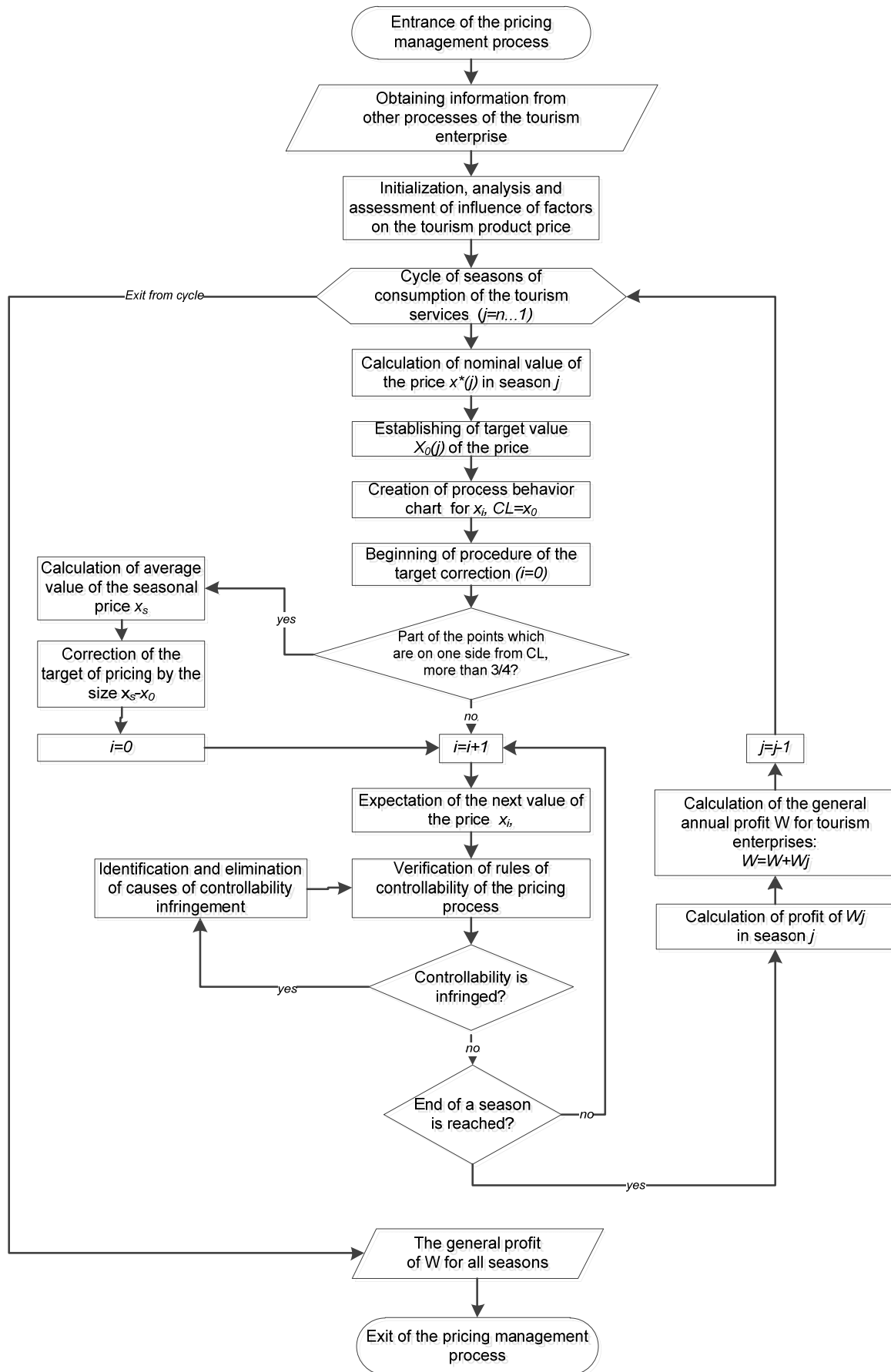


Fig. 3. The scheme of methodology of the pricing process management in the tourist enterprises

Source: authors' design

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МЕТОДИКА КОНТРОЛЮВАННЯ МЕТИ ПРОЦЕСУ ЦІНОУТВОРЕННЯ НА ТУРИСТИЧНИХ ПІДПРИЄМСТВАХ

Досліджено ключові етапи процесу ціноутворення на туристичних підприємствах: підпроцес установки номінального значення нової ціни на туристичний продукт і підпроцес коригування встановленої ціни в залежності від ситуації на туристичному ринку. Для установки номінального значення ціни запропоновано використовувати оптимізаційну модель, яка максимізує функцію корисності структурних частин ціни туристичного продукту. Для коригування ціни на туристичний продукт при зміні зовнішніх умов застосовано процедуру установки мети з використанням діаграм перебігу процесу ціноутворення.

У статті представлена нова методологія управління процесом ціноутворення на туристичних підприємствах, яка заснована на комплексному застосуванні методів статистичного управління процесами і методу динамічного програмування і в повній мірі враховує одну з ключових особливостей сфери туризму – сезонні коливання ціни на туристичний продукт.

Ключові слова: туристичний продукт; процес ціноутворення; мета процесу; діаграма перебігу процесу; метод динамічного програмування.

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МЕТОДИКА КОНТРОЛИРОВАНИЯ ЦЕЛИ ПРОЦЕССА ЦЕНООБРАЗОВАНИЯ НА ТУРИСТИЧЕСКИХ ПРЕДПРИЯТИЯХ

Исследованы ключевые этапы процесса ценообразования на туристических предприятиях: подпроцесс установки номинального значения новой цены на туристический продукт и подпроцесс корректировки установленной цены в зависимости от ситуации на туристическом рынке. Для установки номинального значения цены предложено использовать оптимизационную модель, которая максимизирует функцию полезности структурных частей цены туристического продукта. Для корректировки цены на туристический продукт при изменении внешних условий применена процедура установки цели с использованием диаграмм поведения процесса ценообразования.

В статье представлена новая методология управления процессом ценообразования на туристических предприятиях, которая основана на комплексном применении методов статистического управления процессами и метода динамического программирования и в полной мере учитывает одну из ключевых особенностей сферы туризма – сезонные колебания цены на туристический продукт.

Ключевые слова: туристический продукт; процесс ценообразования; цель процесса; диаграмма поведения процесса; метод динамического программирования.

ANNOTATION AND REFERENCES (IN LATIN): TRANSLATION / TRANSLITERATION / TRANSCRIPTION

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SUSTAINABILITY OF FARMING ENTERPRISE – UNDERSTANDING, GOVERNANCE, EVALUATION

This article gives answers to following important questions: "what is sustainability of farming enterprises" such as individual and family farms, agri-firms of different types, agri-cooperatives, etc.", "what are the mechanisms and modes of governance of sustainability of farming enterprises", and "how to evaluate the sustainability level of farming enterprise and efficiency of its governance". First, evolution of the "concept" of sustainability of farming enterprises is discussed and more adequately defined as ability of a particular enterprise to maintain its managerial, economic, social and ecological functions in a long term. Second, institutional, market, private, public and hybrid mechanisms and modes of governance of farming enterprise's sustainability are specified. Third, a specific for the conditions of East-European agriculture framework for assessing sustainability level of farming enterprise and efficiency of its governance is suggested. Ultimate goal is to assist farming enterprises' management and strategy formation as well as improvement of public policies and forms of public intervention in agrarian sector.

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PREMISES AND ECONOMIC CONSEQUENCES OF RENT-SEEKING BEHAVIOUR ON THE BANKING SERVICE MARKET IN UKRAINE

The paper analyses nature and premises of rent-seeking behaviour on the banking service market in Ukraine. It asserts that inefficiency of national legislation and non-transparency of banking regulatory mechanisms encourages counterproductive rent-seeking behaviour of economic actors, which might take a form of lobbying by certain interest groups aimed upon obtaining of beneficial operating conditions, speculative operations on the currency and credit markets, non-transparent ownership structure, criminal corruption schemes used to extract funds from the country, etc. Such counterproductive rent-seeking behaviour leads to the following consequences: existence of financial institutions that pose significant systemic risks to the national economy, low level of consumer protection rights, low standards in banking solvency and liquidity management, outflow of deposits from bank accounts and decline in the overall level of trust to the Ukrainian banking system. The authors claim that creation of comprehensive rental policy, aimed at prevention of counterproductive rent-seeking behaviour and stimulation of productive rent-seeking behaviour of economic agents, should become one of the priorities of post-crisis modernization of the Ukrainian economy. Such rental policy should be oriented upon mitigation of inflationary expectations of economic agents, stabilization of the currency market, increase in state-guaranteed refund deposits for households, implementation of minimum guaranteed deposits for businesses, improvement of issuance mechanisms of stabilization loans, strengthening of responsibility of banks' founders for the results of their work, and refocusing of the banks on active transactions with real economy agents through financing of innovative investment projects.

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THE BUDGET CLASSIFICATION AS THE BASIS OF THE USAGE OF THE METHOD OF ACCRUAL IN THE PUBLIC SECTOR

Components of the budget classification of Ukraine, which are used for accounting and administration of budgets of different levels, have been investigated. The five-level hierarchy of normative documents in accordance with international practice has been proposed. The analysis of the budget classification of Ukraine and of that one, which has been developed in accordance with the IMF GFSM 2001, has been done as the basis for implementation of the method of accrual in the public sector. Proposals on the improvement of the budget classification and the method of accrual have been made.

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STATEAID AS EFFECTIVE MECHANISM OF STATE REGULATION AND SUPPORT OF SMALL AND MEDIUM ENTREPRENEURSHIP

In the article there is analysed the main approaches to the definition of state aid, including made by EU regulatory documents such as, for example, the Treaty Establishing the European Community and the Treaty on the Functioning of the European Union. Also there is considered the role and importance of the state aid in ensuring the effective functioning of mechanism of state regulation and support of small and medium enterprises. There is studied the experience of state support in the form of state aid to a number of European countries and legislative regulation of state aid in Ukraine.

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TARGET CONTROLLING METHOD OF THE PRICING PROCESS IN THE TOURISM ENTERPRISES

Key stages of the pricing process in the tourism enterprises are investigated: subprocess of establishing of nominal value of the new tourism product price and subprocess of adjustment of the established price depending on a situation in the tourism market. For establishing of nominal value of the price it is offered by use of optimizing model, which maximizes the usefulness function of structural parts of the tourism product price. For adjustment of the tourism product price under change of external conditions procedure of installation of the target with use of the process behavior charts of the pricing process is applied.

The new methodology of the pricing process controlling in the tourism enterprises, which based on complex application of methods of the statistical processes control and a method of dynamic programming, is presented in article and fully considers one of key features of the tourism sphere – seasonal fluctuations of the tourism product price.

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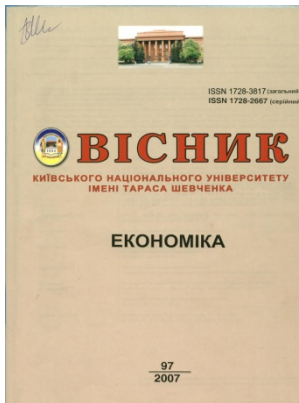
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