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Poltava State Agrarian Academy

**SECURITY OF THE XXI CENTURY:  
NATIONAL AND GEOPOLITICAL ASPECTS**

Collective monograph

In edition I. Markina, Doctor of Sciences (Economics), Professor



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## PREFACE

In the early 21st century, the world faces with cardinal transformations accompanied by changes in geopolitical configurations, integration processes and other changes that affect the state of national and geopolitical security. The events of the last decade have revealed an exacerbation of the problems of global security and the ambiguous impact of the processes of globalization on the development of different countries. Under the circumstances, the rivalry between the leading countries for redistribution of spheres of influence is stirring up and the threat of the use of force methods in sorting out differences between them is increasing. The global escalation of terrorism has become real, the flow of illegal migration and the probability of the emergence of new nuclear states are steadily increasing, and international organized crime is becoming a threat. In addition, in many countries there is an exacerbation of socio-political and socio-economic problems that are transforming into armed conflicts, the escalation of which is a real threat to international peace and stability. These and other factors have led to the fact that the potential of threats to global and national security has reached a level where, without developing a system state policy to protect national interests and appropriate mechanisms of its implementation, there may be a question of the existence of individual countries as sovereign states.

The threat of danger is an immanent, integral component of the process of civilization advancement, which has its stages, parameters and specific nature. Obviously, the problem of security in general, and national one in particular, should be objectively considered in terms of its role participation in the development process, that is, to set it up as both destructive and constructive functions (as regards the latter, it is necessary to emphasize the undeniable fact that the phenomenon of safety is based on counteraction to the phenomena of danger, the necessity of protection from which exactly stimulates the process of accelerating the search for effective mechanisms of counteraction).

The formation of new integration economic relations in Ukraine and the intensification of competition objectively force managers of all levels to change radically the spectrum of views on the processes of formation and implementation of the security management system in unstable external environment that is hard to predict. Today, the main task is to adapt not to changes in market conditions of operation, but to the speed of these changes. In this regard, there is a need to develop effective security management mechanisms that are capable of responding adequately and in due time to changes both in the internal and external environment. Therefore, this problem is being paid more attention in theoretical research works of scientists and practical activity of business entities.

Taking into account the fact that the traditional means of national and geopolitical security as a mechanism in its various models, forms, systems have reached their limits, since they do not contribute to solving the problems of globalization of the

civilization development, there is an objective need to form a paradigm of security management in the 21st century, which aims to confront destruction processes; to harmonize activities of socio-economic systems: society, organization, the state, the world. The joint monograph “The Security of the 21st Century: National and Geopolitical Aspects” is devoted to these and other problems. The progress in the development of the theory of security management on the basis of the analysis of theoretical and methodological works of scientists and the experience of skilled workers presented in the joint monograph creates opportunities for the practical use of the accumulated experience, and their implementation should become the basis for choosing the focus for further research aimed at improving the security management system at the national and international levels. In the joint monograph, considerable attention is paid to solving practical problems connected with the formation of the organizational and legal mechanism of organization of the security system in terms of globalization by developing methods, principles, levers and tools of management taking into account modern scientific approaches.

In the monograph, the research results and scientific viewpoints of the authors of different countries are presented in connection with the following aspects of security management: national security, food, environmental and biological security, economic and financial security, social security, personnel and education security, technological and energy security, information and cyber security, geopolitical security.

The authors have performed a very wide range of tasks – from the formation of conceptual principles of security management at the micro, macro and world levels to the applied aspects of management of individual components of national security.

The monograph “The Security of the 21st Century: National and Geopolitical Aspects” consists of five parts and 70 subparts, each of which is a logical consideration of the common problem.

The structure of the monograph, namely the presence of particular parts, helps to focus on the conceptual issues of the formation and development of national, economic, financial, social, food, environmental, biological, personnel, educational, technological, energy, information, geopolitical security, and problems of the maintenance of the practical process of application of the developed cases.

The joint monograph is prepared in the context of three research topics: “National security management in terms of globalization challenges: macro, micro, regional and industry levels” (State registration number 0118U005209); “Macroeconomic planning and management of the higher education system of Ukraine: philosophy and methodology” (State registration number 117U002531); “Business security: national and global aspects” (Protocol 2-19 of January 30, 2019, Information Systems Management University, Latvia), which emphasizes not only scientific but also practical focus.

The results of the research works presented in the joint monograph have a research and practice value.

The advantage of the joint monograph is the system and logic of the structure, the simplicity and accessibility of the material presentation, the presence of examples and illustrations.

We believe that the monograph will become one more step towards a scientific solution of the problems concerning the formation of an effective system of security management under trying circumstances of globalization.

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# CONTENT

## PREFACE

### PART 1. THE DEVELOPMENT OF THE MODERN PARADIGM OF SECURITY MANAGEMENT AT THE NATIONAL AND GEOPOLITICAL LEVELS

**Markina I., Opeolova O.** The peculiarities of geopolitical security of the country under globalization . . . . . 11

**Oriekhova T., Kuryliak V., Dergachova V., Iksarova N.** Innovative factors of tnc investment behaviour transformation in the context of international security 18

**Malska M., Antonyuk N., Malskyi M.** Security challenges to international tourism: national and world trends . . . . . 24

**Zhylynska O., Bazhenova O., Kukhta P, Vikulova A.** The investment priorities and security of national economic development in the context of globalization . . . . . 30

**Rodchenko V., Prus Y.** Spatial component of providing the basic conditions for the security of the national economy . . . . . 35

**Prykazyuk N., Motashko T.** Risks insurance of mining enterprises in Ukraine: an innovative approach . . . . . 43

**Zachosova N., Nosan N.** Threats for financial security of Ukraine in the banking and non-bank financial sectors: tendencies of the time or negligence of the national regulators work? . . . . . 53

**Borshch V.** Health care as an integral element of the national security . . . 59

**Volokhova L., Ievsieienko O., KovalovM.** State regulation of marine insurance in Ukraine as a national security factor. . . . . 65

**Vakhlakova V.** Evaluation system within economic security studies of the microlevel: the structure and the correlation between its elements . . . . . 76

**Dedilova T., Kirchataya I.** Influence of innovative activity on foreign economic security in the context of the modern processes of globalization . . . . . 83

**Skyba M.** Theoretical aspect institutional basis of national security of Ukraine . . . . . 89

**Varaksina E.** Competitiveness of the agricultural sector is the key factor of providing food security of the national economy . . . . . 95

**Kobchenko M.** Peculiarities of the land relations system in Ukraine on the basis of sustainable development. . . . . 101

### PART 2. CHALLENGES AND THREATS TO ECONOMIC SECURITY UNDER THE TRANSFORMATION OF NATIONAL AND TRANSNATIONAL RELATIONS

**Aranchii V., Zoria O, Riznychenko O.** Factors of forming the economic security of enterprise . . . . . 106

<b>Kopitov R, Marga Z, Riashchenko V.</b> Enhancing business safety: improving value-based management . . . . .	115
<b>Safonov Y, Borshch V.</b> Financing of ukrainian healthcare system within the economic security of a country . . . . .	127
<b>Kozachenko G., Pogorelov Y., Bilousova A.</b> Development of threats to enterprise activity . . . . .	134
<b>Rudenko-Sudarieva L., Lukianenko O., Shevchenko Y.</b> International investment behaviour of corporations in the format of investment security . .	141
<b>Sumets O., Demchenko N., Siromiatnikov P.</b> The economic security service of the modern company: analog model, creation algorithm . . . . .	147
<b>Danko Y., Halynska A.</b> Marketing system of competitiveness as a key to economic security . . . . .	154
<b>Bublyk M., Bondarchuk M., Vivchar O.</b> Management of sanitation innovations as a part of economic security industrial and financial group. . . . .	160
<b>Kopytko M., Zhyvko Z., Leskiv G.</b> Marketing innovations as a particular composition of the process of management of innovative activities and competitiveness of enterprises: safe aspects. . . . .	166
<b>Gudz O., Prokopenko N., Fenenko P., Lozinska Z.</b> State level financial support for development of small enterprises in the context of economic security: foreign experience and nationaal realities. . . . .	172
<b>Maslennikov Y., Poberezhets O., Lomachynska I.</b> Theoretical and methodological aspects of the results of economic entities' activity . . . . .	178
<b>Maslak O., Grishko N., Ishchenko S., Maslak M.</b> Enterprise economic behavior: essence, classification, principles . . . . .	187
<b>Bilovska O.</b> Model of interdependent system «competitiveness – economic security» . . . . .	197
<b>Potapiuk I.</b> The enterprise economic security: methodological aspects of the management mechanism formation . . . . .	204
<b>Pomaz O., Pomaz J, Shulzhenko I.</b> Sustainable agriculture development of Ukraine in the context of economic, environmental and food security . . . . .	210
<b>Voronina V., Halych O.</b> Economic security of enterprises: the essence, factors of influence, and methods of protection . . . . .	217
<b>Kovalenko M.</b> Economic security of agrarian enterprise: essence, constituents and factors of providing . . . . .	223

**PART 3. THE MECHANISMS OF ENSURING ECOLOGICAL, FOOD, TECHNOLOGICAL, AND ENERGY SECURITY IN THE DYNAMIC ENVIRONMENT**

<b>Pisarenko V., Pisarenko P., Pisarenko V.</b> Organic farming: technology, marketing . . . . .	230
<b>Kozyrieva O., Sagaidak-Nikitiuk R., Mykolenko O.</b> Realization of the cluster	

model for pharmaceutical development in Ukraine . . . . .	237
<b>Taraniuk L., Hongzhou Q.</b> Logistic management of agricultural enterprises of china in the system of food safety. . . . .	243
<b>Makhmudov H., Mykhailova O., Pisarenko S.</b> Food security as a fundamental factor of national security . . . . .	249
<b>Balan V., Tymchenko I., Tymchenko O.</b> Create energy security strategy based on space-analysis . . . . .	254
<b>Burdelna H., Bozhenko A.</b> Energy security management at regional level: economic and environmental aspects . . . . .	261
<b>Lykholat S., Mykhalitska N., Veresklyia M.</b> Classification of risks and threats to the economic security of the small business sector . . . . .	269
<b>Omelyanenko V.</b> Main aspects of technological & innovation development strategies (security based approach) . . . . .	273
<b>Pavlenko O., Opanasiuk Y., Taraniuk K.</b> Methodological basis for ensuring the environmental security of the territory . . . . .	280
<b>Skupeiko V., Lykholat S., Voznyuk O.</b> Features of the institutional and economic mechanism for ensuring competitiveness of the agricultural enterprises as principles of economic security . . . . .	286
<b>Svatiuk O., Dzyubina K., Tuvakova N.</b> Environmental security management as function of state institutions . . . . .	293
<b>Peredera S., Shcherbakova N., Peredera Z., Petrenko M., Galatova A., Bezhodko O.</b> Benzapyrene content in the environment and feeds . . . . .	300
<b>Syomych M.</b> Peculiarities of public management of environmental and economic security of a region. . . . .	312
<b>Yudicheva O., Kalashnyk O., Moroz S., Kalian O.</b> Quality and safety of food as a component of food of safety . . . . .	319
<b>Dyvnych O., Voron'ko-Nevidnycha T., Demydenko L.</b> Development of the plant growing industry as a prerequisite for ensuring food security of Ukraine . . . . .	326
<b>Fedirets O., Ustik T.</b> The strategy of innovation support for agrarian enterprises as an element of technological safet. . . . .	333
<b>Lopushynska O.</b> Current state and ways of solving resource conservation problems at the enterprises of the processing industry of Ukraine. . . . .	338
<b>Aksyuk Y.</b> Concept of active marketing influence on grain production in the context of food security . . . . .	343
<b>Bolshakova Y.</b> Peculiarities of functioning of security management system at domestic meat-processing enterprises. . . . .	348
<b>Vovk M.</b> Technological restructuring as a factor of providing the food security of Ukraine . . . . .	353

**Zamykula O.** Increasing the efficiency of operating activity of agrarian enterprises on the basis of energy conservation . . . . .358

PART 4. INNOVATION ASPECTS OF FORMING SOCIAL, EDUCATIONAL, AND INFORMATION SECURITY

**Rossi R., Kucherenko D.** Priorities of Ukrainian market of the forming lifelong learning system . . . . .364

**Szatmári P., Suha G.** Applied methods in international education cooperation policies . . . . .371

**Krisko A., Tatay T.** The new instruments of payments in the 21st century. . . . . 380

**Sharavara T., Sharavara R., Liulka V.** Educational security in the context of ensuring national interests of Ukraine . . . . .389

**Mykhailova L., Mykhailov A., Kyrychenko T.** Gender policy of population employment in the system of formation of Ukraine's personnel security. . . . .396

**Morhulets O.** Ensuring economic security of university by modernization of managerial approaches . . . . .404

**Pishenina K.** Features of government regulation educational cluster for the objective of the supply social security . . . . .410

**Antoshkin V.** Peculiarities of social and economic security of agrarian enterprises . . . . .415

**Potapiuk L.** Information security in the professional activities of the software engineers . . . . .421

**Sazonova T., Ostashova V.** Mediation of labour disputes: legal and practical aspects . . . . .427

**Ovcharuk O.** Information security within the framework of anti-crisis management . . . . .433

**Diachkov D.** Information security threats on the part of the personnel: specifics of origin and realization . . . . .438

**Tkachenko V.** Theoretical bases of management of the professional safety of enterprise in the transformational economy . . . . .444

PART 5: MANAGEMENT OF ECONOMIC SECURITY IN CONDITIONS OF INTEGRATION PROCESSES: CASE OF UKRAINE

**Khudolei V., Ponomarenko T.** Economic security of the country as an imperative of national security and sustainable development factor in overcoming threats . . . . .449

Potential, opportunities and threats of integration for economic security of Ukraine . . . . .459

Proposals on the concept of economic security of Ukraine . . . . .483

# **PART 1. THE DEVELOPMENT OF THE MODERN PARADIGM OF SECURITY MANAGEMENT AT THE NATIONAL AND GEOPOLITICAL LEVELS**

## **THE PECULIARITIES OF GEOPOLITICAL SECURITY OF THE COUNTRY UNDER GLOBALIZATION**

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Globalization as a process and spreading tendency of developing social-economic and other kinds of relations is quickly becoming large-scale, bearing new contradictory consequences.

Global security, considered in the context of geopolitical imperatives and determinants, represents particular scientific and practical interest among many aspects, connected with globalization.

Geopolitical component is the most important element of the system of the state national security. The role and place of the country in the modern world space is much determined by its geopolitical position that is by the location, strength, and the correlation of forces in the world system of states. The geopolitical position of the country is considered by the majority of scholars taking into account geographical, political, military, economic, and other factors. The key moment is the fact that geopolitical security is an organic component of the national security, and its role consists in ensuring vitally important national interests by the management of real or potential threats and dangers, which are the consequence of other states' striving to establish control and ruling of the whole spectrum of the planet's resources. Besides, geopolitical security can be considered in a somewhat broader sense and envisage establishing control not over the resources of the own country, but conducting a complex of measures to influence the resources of other countries directly or indirectly.

So, the essence of management in the sphere of geo-policy, and as a result, the essence of geopolitical security consist in establishing and organizing the functioning of the guided process algorithms in the sphere of controlling and ruling the country's resources, based on the principles of space-time organization of states' development, regions, and the world on the whole, taking into account the systemic interaction of geographical, political, economic, military, ethnic, demographic, ecological, and other factors [4].

The effectiveness of geopolitical security is directly connected with the laws of geo-policy. For Ukraine, with its peculiarities of geopolitical position and social time, the accurate and timely analysis of the global geopolitical process is important, because this country is again in the center of the world events, historical fluctuations, and cataclysms. Thus, the future, safety and well-being will greatly depend on how exactly the algorithm of development in the modern complex and contradictory world will be determined.

The importance of geopolitical identity in the implementation of the national interests, in particular, in the sphere of foreign policy, is the evident fact. However, the question, how the transformation of geopolitical identity in the conditions of globalization takes place, requires complex scientific investigation [9].

It is known that globalization with its new subjects, among which nationalistic structures should be mentioned, transforms the geopolitical identity of states-nations. The given process began from erosion of the institute of state sovereignty and later on became one of the reasons of activating transnational relations [5]. All the above mentioned factors require deep and comprehensive research of geopolitical processes and tendencies, taking place in the modern world because of their impact on the conditions and prospects of the global safety.

The term of “geo-policy” was introduced by the Swedish scholar R. Kjellen, who formulated all principal positions of geo-policy. In R. Kjellen’s opinion, besides physical-geographical features, the state is represented by 4 features:

- as a definite form of economy with its peculiar economic activeness;
- as people with their national and ethnic characteristics;
- as a social community of different classes and professions;
- as a form of state administration with its constitutional and administrative structure [7].

Geo-policy under modern conditions is one of the fundamental notions of the theory of international relations, which characterizes the place and definite historical forms of the actions of territorial-spatial peculiarities, the position of states or blocks of states concerning the local, regional, continental, and global international processes. The area of the territory, length of the state border, climate, relief of the locality, flora and fauna, hydrological peculiarities belong to such territorial-spatial peculiarities. Generally speaking, geo-policy is determined as the theory of substantiating and practice of implementing the approaches to the state policy, characterized by geopolitical, economic, political, military, and other factors, aimed at ensuring one’s own vitally important interests.

Geopolitical factor is the totality of geographical parameters, stipulating the corresponding direction in the policy of the state, ensuring its vitally important interests at the definite stage of its development [8].

From the viewpoint of geopolitical measurement, the relations between states are determined by national interests. The national interests, through which the problems of national and geopolitical security with their aims and tasks are considered, are

represented as a variety of personal needs and the needs of the society and nation on the whole. As N.R. Nyzhnyk notes, according to their direction, they are oriented at ensuring the survival, progressive development, and, to some extent, the leadership of the society and the state [12].

The Law of Ukraine “About the foundations of the national security of Ukraine” [1] defines the national interests as vitally important material, intellectual, and spiritual values of the Ukrainian people as a bearer of sovereignty and unified source of power in Ukraine, the decisive requirements of the society and the state, the implementation of which guarantees the state sovereignty of Ukraine and its progressive development. Thus, the processes, taking place in different regions of the world, can directly affect the condition of the national security of Ukraine, the opportunities and prospects of its development, and hence, influence the understanding and determining of the national interests. That is why geo-policy is a part of the international security, the concept of which is based on recognizing the unity and interrelation of the world, the priority of general human values over class and narrow egoistic national values, the freedom and respect to social-economic choice of nations, the rule of law in politics [13].

The geopolitical position of Ukraine transforms it into a peculiar geopolitical center, the state, which performs communicative functions between two regional systems, the state, as determined by Z. Brzezinski, “the significance of which is not in its strength or motivations, but first of all, the place of its location”, the geopolitical center, which can become the defense for the state, which is vitally important on the geopolitical arena [3, p. 55]. The geopolitical center has the functions of the territory of intermediate position, and this geopolitical situation, passive by its nature, has to be activated in one’s own interests. This is the main task for the Ukrainian geo-strategy of security.

Under such conditions, as the Ukrainian scholar V. Manzhola thinks, “the concept of equal proximity, the essence of which consists in the development of the profound cooperation simultaneously with all the leading international participants in the region, in striving to establish the relations of the peculiar or strategic partnership, has to become the important element of the foreign political strategy of Ukraine” [11, p. p. 14-15].

A. Galchynskyi considers the complex of geopolitical interests through the prism of geo-economic paradigm in geo-policy, which is formed in connection with declaring and implementing the European integration strategy of Ukraine [6].

In the opinion of S. Bodruk, geo-policy, as a manifestation of influencing the geographical position of the state, the size of its national territory, natural resources, quantitative and qualitative indicators of the population, transit opportunities, and so on, remains an important initial point for determining foreign political priorities [2].

From the viewpoint of modern geo-policy, the elements, which define and ensure the living space for any ethnos, are at the same time the main objects of their struggle and competition. These elements are the following:

- the space as a physical value (the area of land, water space, air space, and cosmic space);
- the sources of raw materials and energy;
- the deposits of mineral resources;
- the control of strategic transportation corridors;
- the global control of manufacturing key highly technological products, affecting the quality of national economies (aviation and cosmic machinery);
- the control of foreign markets of selling national products and protecting one's own market from competitive imported goods;
- the control of the foreign markets of capital investments;
- the control of the market of labor force;
- the control of the districts of utilizing industrial wastes, including chemical and radioactive;
- direct or indirect control of the internal and international policy (or its separate aspects) of foreign countries.

Thus, geopolitical security should be considered as:

- the state of protection from challenges, risks, dangers, and threats;
- the state of the sustainable existence (development) of the object, when the probability of undesirable changing any parameters (characteristics) of its vital activity is not big.

So, in geo-policy it is expedient to understand the state of objects' protection and the degree of protection of vitally important values and interests of the society from different threats [14].

Geopolitical factors, affecting the current and prospective position of the state in the world system of international relations and the development of the system itself, can be manifested differently. Firstly, they can assist in stabilizing the situation in case of strengthening international cooperation and interaction. The states, which are in similar geopolitical conditions, have the similar or close national interests, leading to the strengthening of their cooperation, including the sphere of strengthening military security. Such cooperation, implemented on the collective basis, assists in sustainable developing both at the regional and global levels.

Secondly, geopolitical factors can result in competition between states. Territorial arguments, geopolitical contradictions, striving to put the other state in unfavorable conditions on the international arena play the important role in this process. Such actions and situations can cause the state of confrontation and have destabilizing impact on the regional and world processes.

Thus, the analysis of the state of geopolitical factors and definition of their priority are the bases of foreign political concepts of modern states, the important components of which are the doctrines of ensuring national security, including the strategy of military security. The key structure forming elements of Ukraine's geopolitical doctrine must envisage:

- 1) monitoring of the processes, capable to create the factors of external threat

to the existing political borders of Ukraine and territorial integrity of the state, effective activity of marine, land, and air communications, informational security of the state, and so on;

2) taking into account the national interests in the economy modernization, and also the analysis of the processes, capable to create threats in the sphere of economy (for example, the character and level of Ukraine's dependence on the suppliers of raw and energy materials, the position of the state on the traditional trade markets, the level of the Ukrainian goods' competitiveness;

3) taking into account the factors, which ensure the stability of financial and monetary system of Ukraine;

4) creating the rational strategy of foreign economic activities;

5) introducing the protection policy, ensuring the introduction and investments in science-based technologies, and also the information system development of the society;

6) developing the opportunities of going into aero-cosmic space, aero-cosmic technologies and the competitiveness of the corresponding branches of the Ukrainian industry;

7) strengthening the position of the state on the market of weapons and military machinery, expanding the opportunities of military-technical cooperation;

8) analyzing the processes, assisting in the beginning or liquidating regional conflicts, the potential participant of which Ukraine can become;

9) analyzing the processes, assisting in the beginning or liquidating ethnic and religious extremism;

10) studying the irrational ideological schemes in the social thinking and taking them into account while conducting foreign economic activities;

11) raising the effectiveness of the system of ensuring the national security and defense potential. Later on, the defense policy has to be oriented at integrating the system of the collective security (the integration to the security measurement of geopolitical space) [8; 10; 14].

Based on the above mentioned, it is expedient to generalize the mechanism of forming and implementing the geopolitical security of the country (Fig. 1).

Of course, in case of geo-policy, not the theoretical generalizations and concepts bear the threat, but the construction of states' foreign policy and its practical implementation on the basis of these generalizations and concepts. For example, as some scholars maintain, geopolitical imperatives are present in the activity of states, and recommendations of geo-politicians are taken into account during making foreign economic decisions by many countries, irrespective of not simple treating geo-policy as a theoretical direction [15].

Thus, the geopolitical measurement of security in the conditions of forming the new world order can be defined as a system of correlations between the geographical position of the state, its national potential, and foreign economic policy [8].

These three components, taking into account their close interconnection

and mutual conditionality, determine in general the position of the state on the international arena and its perception by the world association. Moreover, the formation of security system of any state takes place at three levels – national (within the country’s territory), regional (between states), and the global (the world).

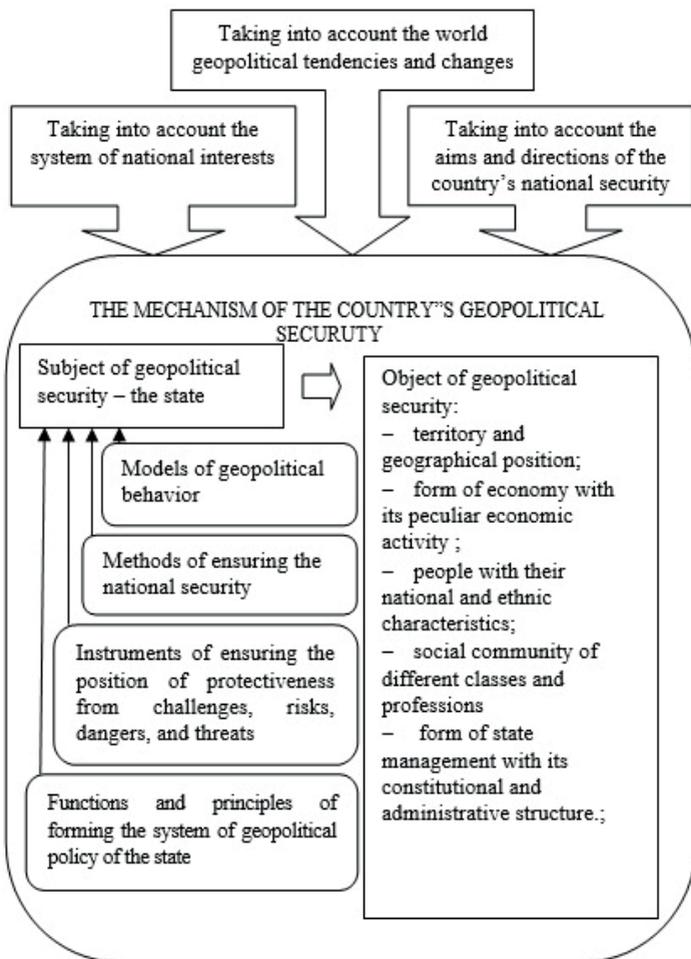


Fig. 1. The bases of forming the mechanism of geopolitical security of the country [composed by the author]

On the other hand, the formation of the new world order, development of international relations, and creation of the system of collective security must be conducted taking into account the real state of affairs, the available balance of forces, and national interests and opportunities.

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# INNOVATIVE FACTORS OF TNC INVESTMENT BEHAVIOUR TRANSFORMATION IN THE CONTEXT OF INTERNATIONAL SECURITY

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Statement of the problem. In recent years, TNCs have been one of the most powerful investors around the world, changing not only economic development but also the economic security of host countries. However, on the basis of the foreign market, they face problems and obstacles to the efficiency of international investment.

It follows that TNCs gain competitive advantages through the introduction of new technologies, innovations, and not exclude also extensively threatening ways of development. However, under the condition of a strong system of national cyber security, effective social and economic security mechanisms, innovative factors are the driving force for development, not only the TNC itself but also raise living standards and social standards in host countries. In this context, there is a need for a thorough study of the influence of innovative factors on the transformation of the investment behaviour of TNCs and, in turn, on improving socio-economic indicators in different regions of the world.

Many international and domestic scientists such as M. Warren [13], O. Golovnyia [2], S. Cohen [1], D. Lukianenko [3], L. Potters [4], O. Rogach [8], L. Rudenko-Sudarieva [9; 10], and the World Economic Forum experts [11].

Their deep work suggests that innovative factors and their study in terms of impact on TNCs are relevant and require further scientific development taking into account changes in the global economic system.

The purpose of this study is to research and scientific analysis of the transformation of the investment behaviour of TNCs, taking into account modern

innovation factors and changes that arise in the global economic space.

In the process of research, both general scientific and special methods were used: scientific abstraction, analysis and synthesis, historical-logical method, system approach, method of theoretical generalization.

The main scientific results. Foreign investors, including TNCs, are constantly exposed to certain dynamic factors and rapidly changing global economic environment. According to Rudenko-Sudarieva L.V., rapid information and technological modern changes caused by the global transformations of the fourth industrial revolution, demonstrate manifestations of fundamentally new investment behaviour of new generation of TNCs [10]. The benefits of corporations which catalyzed by accelerated technological development and cognitive expansion, such as the technological giants as Microsoft, Amazon Inc. or Facebook, provide them with unprecedented growth in capitalization (681.58 billion US dollars; 628.78 billion US dollars; 518.37 billion US dollars respectively [12]) against the backdrop of global popularity. Separate studies of these «accelerators from TNCs» are not yet deep enough, but give reason to assume the emergence of the sixth generation of corporations, the prospects of which are characterized by a singular future [10].

During the process of our study, it was found that the investment behaviour is influenced by a variety of factors that have similar characteristics in a number of host countries. They make them transform to the challenges and threats of the present.

It should be noted that the main tendencies of such a transformation are the existence of an unstable situation and fluctuations in the outflow of FDI from TNCs, whose parent companies are located in developing and transition countries. Thus, recently TNCs from the People's Republic of China have been gaining leadership in increasing investment. In 2016, having increased by 44% the outflow of FDI to 183 billion US dollars, and placing China in second place in the largest countries that host FDI in the world. It should be emphasized that Chinese corporations are investing abroad in order to gain access to new markets, the acquisition of assets generating foreign exchange earnings. This tendency is also caused by the state's investment policy [8].

In turn, the African region has small investment indicators, for example, in 2016, one can observe the growth of FDI outflow by only 1% to 18 billion US dollars.

It should also be noted that world economic journals such as *The Economist*, *Fortune*, *Euromoney*, the most reputable expert agencies such as *Moody's*, *Standard&Poor's*, *IBCA* provide aggregated estimates of the investment climate and risks, the results of which are systematized in the national ratings of investment attractiveness of regions and countries published by these institutions [1; 9].

Because of this, host countries and home countries are trying to improve their own investment climate in order to effectively use their own and attracted financial resources. Financial crises strongly change the direction of investing in TNCs in terms of prudence and discretion [3].

For such investors as TNCs, a rational assessment of their own investment flows by region is a necessary part of conducting optimal management measures for investment placement and creating, adjusting their own investment behaviour for the future.

In the process of studying the factors of the transformation of investment behaviour of TNCs, it is necessary to distinguish innovations that make TNCs rebuild their own management system and interactions between divisions. To access new markets and generate cost savings, TNCs are transforming management strategies into new investment directions based on innovation and sustainability based on sustainable development.

In this context, the most competitive TNCs are from the European region, the prevailing form of investment such as mergers and acquisitions, the volume of such deals in 2017 increased to 40%, to 435 billion US dollars. In turn, investing in North American TNCs remains stable, albeit with a significant reduction in the cost of cross-border mergers and acquisitions.

Innovative development strongly changes the investment behaviour of TNCs in terms of investing in new technologies that reduce the cost of the corporation. It should be noted that the innovative development has undergone an evolutionary path from the period of the birth of innovations (XIII century - the end of the 1930's) to the period of intensification of innovative efforts (1980-s - the end of 1990's) (Table 1).

Innovative development, changing the investment behaviour of TNCs is the result of a number of factors that can both restrain investment at the same time, thus contributing to the growth of innovation and investment potential in host countries. Innovative factors are strongly intertwined with other types.

Modern innovative factors should be distinguished such as: electronic revolution, financial crises, attraction to high-yielding and liquid investments, increase of the role of innovations and «green investments». As a result, even digital cells, clusters of TNCs that cooperate with each other are created [1; 9; 10; 11].

In turn, the main investment areas of TNCs in 2018 are: the development of new markets, especially BRICS countries; artificial intelligence and robotics; cryptocurrency and bitcoins; development of financial technologies. We noted that, for example, in the field of artificial intelligence, with the help of the so-called «work-consultant», portfolios of investors are selected and guided by computer algorithms in the context of the hybrid approach [11].

The cryptocurrency market is causing fluctuations and instability in the global financial market [2].

Creating bitcoins for attachment to futures and derivatives may also lead to further instability, as investors can for the first time «cut» the market by raising rates against price increases [4].

Table 1

### Evolution of innovation development and relevant stages of TNC's growth

No	Evolution of innovation development	Stages of TNC's growth	Features of TNC's growth	Examples
1	Period of origin of innovations (XII century-the end of 1930's)	The first generation of TNCs (from the end of the 19th century to the beginning of the First World War of 1914-1918. Second generation of TNCs (1918-1939)	Development and extraction of raw materials in the colonial countries of Asia, Africa, Latin America (the form of TNCs - cartels and syndicates); Production of armaments and military equipment for military needs of Europe, America and Japan (trusts)	Coca-Cola (USA), British American Tobacco (UK), Danone (France), Siemens (Germany), General Electrics (USA), Mercedes (Germany), Ford Motor (USA), East India Company
2	The period of innovation (the beginning of the 1940s - the end of the 1960's)	The third generation of TNCs (after the end of the Second World War (1945) and the collapse of the colonial system (1950-1960)	Generators of scientific and technological achievements of science and industry (atomic energy, electronics, space, instrument making, etc.) (concerns)	Mcdonalds (USA), Airbus (France)
3	Period of rethinking of innovations (1970's - the beginning of the 1980's)	Fourth generation of TNCs (1970-1980s)	Concentration of capital and production of TNCs, successful development of international business (M&A)	Google (USA), Apple (USA), Netflix (USA)
4	The period of intensification of innovation efforts (1980s - the end of the 1990s)			
5	Nanotechnological transformations of the XXI century	Fifth generation of TNCs (early twenty-first century)	Reliance on modern science, innovation business, nanotechnology, telecommunication development (economic integration)	Uber Technologies Inc. (USA); Airbnb (USA), Alibaba Group (PRC), Viber (Belarus with Israel), Facebook (USA), ArcelorMittal (Luxembourg), LATAM airlines (Chile)

Source: compiled by author based on [5; 11]

We outlined that interest in goods, private investment, real estate investments and infrastructure is expected to increase in 2018 and in the future. Also, financial data protection technologies will gain popularity. For example, fingerprinting technology, voice and face recognition will also become increasingly popular

investment objects.

For example, wind energy, green bonds [9; 13] are promising areas for investment in Europe.

Investments in wind energy in 2017 were less focused than in 2016. A third of the investor countries had 64% of the volumes in 2017, compared with 73% in 2016. Northern and Western Europe occupied the bulk of new investments. Germany was the largest investor in 2017 in the amount of 6.7 billion euros for the construction of new land and offshore wind farms. The UK has taken another place with a volume of 5 billion euros, or 22% of the total investment in wind energy in 2017 [9]. In turn, the issue of green bonds grew from 1.9 billion US dollars to 17.5 billion US dollars over 2013-2017 (Fig. 1).

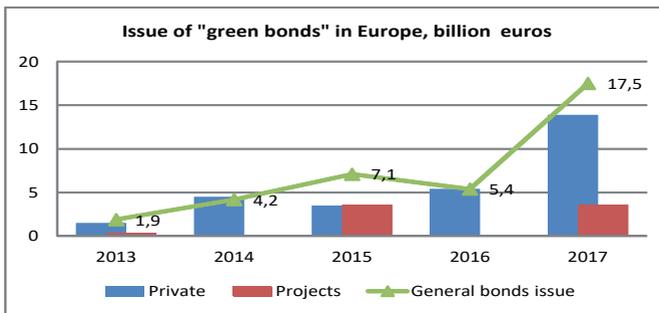


Fig. 1. Issue of «green bonds» in Europe, billion US dollars

Source: compiled by the author based on [11]

The issue of green bonds has steadily increased over the past five years. In 2017, the volume of bonds issued amounted to 17.5 billion euros, both at the project and at the corporate level. The funding received from these issues is intended to finance renewable energy portfolios, including wind energy projects and offshore power lines.

We should also be noted that TNCs are expanding their investment directions every year. One of the features of the transformation of the investment behaviour of TNCs is the investment in the development of the space industry. For example, private investors in 2017 placed 3.9 billion US dollars in commercial space companies, which it is a record in accordance with the report of the investment company – Space Angels. In 2017, more than 120 companies invested in space development, and in 2015 - 89. Over the past eight years, the volume amounted to about 25 billion US dollars. Those investors still take moderate investment behaviour, taking into account financial crises and financial markets' volatility.

**Conclusions.** With the development of innovation and information, TNCs are faced with a variety of factors and conditions that change the direction and potential

of TNC's investment activity, taking into account the deductibility and development of the digital economy in host countries.

The innovative development and forms of TNCs have undergone evolution from raw material companies to innovative business, based on economic integration and the use of high technology.

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## **SECURITY CHALLENGES TO INTERNATIONAL TOURISM: NATIONAL AND WORLD TRENDS**

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Introduction. Despite the global economic challenges, the development of international tourism has lately exceeded all expectations and projections: according to the International Tourism Barometer of the World Tourism Organization (UNWTO), in general, the number of trips taken in 2017 was the highest over the past seven years, as reported by the United Nations World Tourism Organization. This year, the number of international trips increased by 7% compared with previous years. France continued to take the leading positions among countries visited by travelers. Spain, which outstripped the United States, took the second place. In general, the number of trips taken in 2017 was the highest over the past seven years, as reported by the United Nations World Tourism Organization. Last year, more than 1,300 million people from different parts of the world traveled abroad. Travelers showed the greatest interest in European countries. The tourist flow to these countries increased by 8%, that is, by 671 million tourists. Mediterranean countries and countries located in the north of the continent were particularly popular: the number of tourists who traveled there increased by 13%. This allowed this region to take the lead. In addition to Europe, interest in Africa has also grown. The number of travelers who visited this continent in 2017 increased by 8% (by 62 million tourists). At the same time, there had been a noticeable decline in the interest in the African continent before.

In modern world economies, tourism industry plays an important role of a factor responsible for the stable growth of welfare and employment of the population. Tourism attracts entrepreneurs, because of a high level of profitability, a growing demand for travel services, and a minimum payback period. Tourism accounts for about 7% of world investments, every 16th job, 11% of world consumption expenditures, etc., while the scale and stability of the growth rate make tourism one of the priority business areas, taxes from which alone, according to experts' calculations, could bring up to 4 billion US dollars annually to the state budget of Ukraine.

The number of visitors who traveled to the Asia-Pacific region in 2017 increased by 6% (by 324 million). Countries of South Asia were the most popular. The number of tourists who visited the countries of the Middle East in 2017 increased by 5%

(by 58 million) compared with the previous years. In some countries, there was a tremendous increase in the interest in local culture and historical heritage [3].

In the North and South America, the number of visitors increased by only 3% (by 207 million tourists). At the same time, the USA showed the worst results – about 2% of increase in the number of tourists. The UNWTO press service also reported that they are expecting a further increase in the interest in international tourism by another 4-5% in 2018. We would like to remind you that experts have recently announced the least visited country in Europe. It was the Republic of San Marino. It is located in the center of Italy, has no access to the sea, and covers an area of about 60 square kilometers.

Tourism is a vital industry characterized by a significant effect of income and employment growth, foreign currency earnings, and growth of other sectors, which also contributes to the development of communications and infrastructure. In most countries, tourism is a priority sector of the economy and a subject of regional development programs between partner countries [1].

In the opinion of the UNWTO Secretary-General, Taleb Rifai, «the tourism sector has demonstrated its excellent ability to adapt to changing market conditions, contributing to economic growth and creation of jobs around the world, despite economic and geopolitical challenges. In fact, tourism is among the few sectors that have a positive influence on most world economies.»

The United Nations World Tourism Organization predicts that annual tourism expenditures will be growing until 2020 and will eventually amount to \$2 trillion (that is, 5 billion a day) and the number of foreign tourists will reach 1.5 billion people. The Middle East will take the lead in terms of tourist flows, mainly due to the enormous amount of natural, historical, and cultural resources that attract tourists from all over the world. In the report published by the Global Futures magazine, it has been estimated that in 2020 the number of tourists in the region will exceed 150 million people (compared to 61 million in 2009) [4].

On the other hand, tourism is much more than just a share of revenues in the structure of GDP and employment. Tourism is an industry of personal contacts and intercultural communications. Successful tourism industry needs political stability, peace, safety, and capacity for dialog between different groups of people. It is a dynamic and competitive industry that requires the ability to constantly adapt to consumers' changing needs, while fulfillment of their desires and ensuring safety are key objectives for the tourism business.

Under today's conditions of the development of international system, there is a considerable number of global problems that are in particular related both to internal and external aspects of the functioning of many states. Among them, the problem of terrorism is particularly significant. It should be noted that in the XX1st century, terrorism has become probably most widespread, becoming an integral part of international processes; it threatens security at the national, regional, and global levels [2].

First of all, terrorism stems from deep social crises (including a crisis of ideological foundations for the development of the society and the entire state system), which result in the emergence of various political, national, and religious groups that oppose the rule of law and the administrative system of the state. Inability of such groups to achieve their goals and interests lawfully makes them resort to violence (in their opinion, violence is morally justified, first of all, because of the so-called «purity» of their beliefs). It was previously believed that terrorism is a phenomenon that is inherent in countries with religious or national problems (Northern Ireland, Palestine, Israel, Libya), but today it is already perceived as a threat to the security of the entire world community. In particular, since the mid-1990s and during the last decade, there were many terrorist acts in different countries, which resulted in a new political situation in the world and reorientation of the leading states and international organizations towards strengthening of large-scale measures aimed at preventing terrorist threats.

Despite the huge scale of the problem of terrorism, there is currently no generally accepted definition of terrorism. There are more than 100 interpretations of this concept. In the broadest sense, terrorism (in Latin «terror» literally means «fear, horror») is a socially dangerous activity of certain groups of people, which consists in deliberate and purposeful use of violence, seizure of hostages, arsons, murders, torture, intimidation of the population and the authorities, or other infringement on the life or health of citizens and state leaders, threats of committing criminal acts for the purpose of achieving own goals. Terrorism is a harsh and purposeful form of violence in the struggle against political opponents – mainly state authorities – for the implementation of program or local, party, group, or confessional interests [7].

In the majority of encyclopedic dictionaries terrorism is defined in its international dimension and is interpreted as follows: violent acts committed against individual citizens or objects, in particular those protected under international laws, murders of the heads of foreign states and governments (their diplomatic representatives), blasting of embassies, representative offices of organizations, headquarters of international organizations, explosions in public places, in the streets, at the airports, railway stations, etc.; a combination of activities that are socially dangerous on an international scale and which involve unjustifiable death of people.

Among the definitions of terrorism, the following are noteworthy:

- terrorism consists in dangerous acts – or threats of such acts – which are committed publicly, encroach on social security, and are aimed at creating a situation of fear, anxiety, and depression in the social sphere for the purpose of exerting direct or indirect influence on the adoption of a particular decision – or refusal to adopt it – in favor of those who commit such acts;
- terrorism is the use of extreme violence or threats of violence in order to achieve certain political, religious, or other public goals, provided that there is the main constructive element – the motive for a criminal terrorist act – intimidation of the state authorities or the society;

- terrorism is a threat of violence that forms a sense of fear both in individual citizens and in the society in general, which is aimed at intimidation and formation of distrust of state authorities with regard to their ability to counteract these manifestations of crime;

- terrorism is a politically motivated and substantiated method of using radical violence the main purpose of which is to achieve a certain psychological effect; systematic use of extreme violence and threats of violence in order to achieve public and political goals;

- terrorism is a pre-thought-out politically motivated violence which is most often committed against non-military objects by certain groups within the state – or by secret agents of a particular state – for the purpose of exerting effective influence on the society, which is extended to citizens or territories of two or more countries [5].

Signs of terrorism:

- communicativeness: a combination of violent acts and a political message aimed at various sectors of the target audience;

- intense intimidation, terrorizing particular individuals or groups and inciting others (potential accomplices);

- organized violence, which is objectively expressed in a certain manifestation — in a terrorist act;

- terrorism pursues political goals and motives; it is a specific form of political violence;

- it combines a high level of political motivation and low participation of the masses, which distinguishes it from war, partisan struggle, national liberation movement, and other mass political phenomena;

- terrorism is directed against more powerful state apparatuses. The phenomenon of modern terrorism lies in the fact that innocent people die of terrorist acts before the very eyes of ultra-modern armies. Classic military schemes do not work under these conditions, which results in the fact that collective security systems are inadequate for the modern challenges and cannot actively counteract terrorism;

- conscious focus on the death of numerous people, destruction of material and spiritual values, provocation of war, distrust and hatred between social, national, and religious groups, which contributes to the emergence and development of antagonisms in the world;

- it causes general danger, which is either in the form of a threat, or actual explosions, murders, arsons, etc.;

- it is aimed at intimidation, which involves a sudden and unexpected action; in particular, terrorists use a sense of fear in order to make their opponents fulfill certain requirements;- the political features of terrorism are publicity, transparency, and demonstrativeness, which are used when declaring socially dangerous demands, that is, acts committed by terrorists are always accompanied by advertising. The greater the public resonance a terrorist act gets, the more frightening and paralyzing effect it has on the population, government, and other institutions of power;

- high social danger, since in order to achieve their goals, criminals try to harm the most important values of the human society: life, personal freedom, health, property, and public order;

- it is aimed at the aggravation of socio-political and economic situation in a particular country or region of the world;

- indifference to victims, the gap between the immediate victim of violence and the group which is the object of influence and the purpose of violence, as opposed to selectivity in case of political assassinations.

According to the European Convention on the Suppression of Terrorism (adopted on January 27, 1977 in Strasbourg), terrorist acts are:

- serious offenses with an infringement on life, physical integrity, or freedom of people who are protected under international laws, in particular diplomatic agents;

- offenses with the seizure of hostages, their illegal detention; the use of bombs, grenades, missiles, automatic firearms, letters or packages with an explosive device, which pose a threat to the public, etc.

The motives of massive terrorist acts include:

- attempts to destabilize the interior of a particular region or state by spreading fear in the society and forming distrust of the authorities;

- attempts to influence the outcome and the course of particular political events, political or economic problems, etc [4].

Thus, in the modern world, the most harmful manifestations that impede effective tourism activities include international and local armed conflicts, and, as a result, international terrorist activities.

The geography of terrorism is rapidly expanding, and today it becomes impossible to predict which country will be the next on the list. Such events undermine popularity of many tourist destinations – in particular, popularity of Muslim countries is falling [5].

**Conclusions.** The tourism industry, which turned out to be the most unprotected industry for terrorists, suffers the largest economic losses from terrorism. In this regard, the issue of combating terrorist organizations and ensuring countries' economic security, including proper functioning of the tourism industry as one of the main sources of foreign investments under the modern conditions, are very closely interconnected. This is due to the fact that when preparing and committing terrorist acts, terrorists mostly select crowded places and objects of critical infrastructure, that is, places of tourists' recreation.

Together with the globalization of the tourism industry, there is a growing need to implement the latest security systems in order to ensure tourists' safety. First of all, this concerns tourist trips to countries with a difficult socio-political situation, where there are military conflicts, and where terrorist acts, which can endanger tourists' lives and health, are not rare. That is why analysis of the crime rate in a particular state and a system of measures taken at the state level to prevent terrorist manifestations and ensure tourists' safety are among factors that must be taken

into account when choosing a travel destination and recreational facilities. Thus, in order to ensure safety, coordination of the activities of law enforcement agencies of different states must be improved.

In this regard, special attention needs to be paid to the activities aimed at improving domestic and international legislation in the field of tourism security and combating radical terrorist organizations. At the same time, first of all, a unified methodology for assessing terrorist threats and risks in the countries should be developed and approved at the international level, and national anti-terrorism policy strategies, consistent with the strategies of tourism development in a particular country, should be formed. It also necessary for countries to develop and approve criteria for putting recreational facilities on the list of objects of possible terrorist attacks.

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# THE INVESTMENT PRIORITIES AND SECURITY OF NATIONAL ECONOMIC DEVELOPMENT IN THE CONTEXT OF GLOBALIZATION

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The development of a world economic system is increasingly dominated by processes that, by their nature, significance and depth, can be described as global. Humanity is faced with the world's biggest problems, among which an important place is occupied by the problem of investment globalism. The specific nature of global transformation processes necessitates their deep scientific understanding, which will lead to the development a fundamentally new approach to the formation of a national investment development strategy in the long run.

The issue of identifying investment factors of the development of national economic, international investment interaction and transformation of investment flows in the context of globalization had been the subject of research by many scientists. For example: Je. Aninat, O. Bilorus [2], Y. Gayday [6], B. Hubs'kyj, S. Sokolenko, D. Luk'ianenko [3], Y. Pakhomov, V. Novickij and other. To determine investment priorities in the context of global trends in scientific, technological, innovative development, technological activity and the development of an innovative economy, an important place is occupied by scientific papers of E. Lenchuk, N. Semenova, N. Sheljubskaja, I. Shul'gina [11] and other. Actual research in the aspect of identifying features of the formation of the global economy was conducted by V. Andriyash [1], S. Baburin, O. Bogomolov, I. Bochan [4], I. Wallerstein, D. Held [7], V. Dolgov, L. Zevin, V. Klavdienko, A. Ljamenkov, V. Lukashevich, A. McGrew [7], I. Mihasjuk, M. Muntjan, R. Robertson [10], M. Os'mova, V. Oreshkin, A. Ursul, A. Utkin and other.

Without taking into account the influence of global factors, it is impossible to reveal the essence of modern investment processes in the national economic system, to explore ways of investment interaction at the international level. Considering complexity and urgency of the current changes in the investment sphere, it is of interest to establish necessary strategic priorities of investment while elaborating new concepts for the development of social and economic processes in the country.

In today's globalized world economy, individual countries cannot be regarded as

something self-contained, each of them is in a tough system and under the powerful influence of a complex set of global economic relations. The process of continuous interaction of the internal environment with external factors of development stabilizes, strengthens some and weakens, or even completely destroys, disintegrates others. Each of the participants of the world economic process, pursuing its own interests in a competitive interaction in the influence of a set of parameters, both external and internal, reaches either strong and leading positions, or is omitted, as a rule, due to inadequate perception of modern realities and trends, errors in forecasting which led to the failure. The widespread use in modern practice, along with the internal sources of financing various programs and foreign investments and external debt loans, almost no countries that would rely solely on their own investment opportunities seems entirely logical in the context of the internationalization of the monetary and financial sphere and the general globalization of world economic relations. Moreover, the financial openness of the country initially assumes the possibility of participation in international financial and credit operations with final results, both positive and negative for the macroeconomic of the economic stability.

World experience has shown that significant flow of investment into the country doesn't guarantee increase of competitiveness of its products, the fight against unemployment and social degradation, temporary peak may change into deep depression. On the whole, statement that the financial investments significantly tighten up the underdeveloped, socially and economically backward countries to the level of the advanced is not possible at the present time. The gap between the world of rich and poor countries continues to increase. International economic relations among nations are increasingly based on the policy of double standards, and the most important factors for successful development are the availability of effective scientific and technical activities in the country, the strength and greatness of the economy. Globalization of market relations assists prosperity, growth and differentiation between those who achieve success, and those who fail.

Therefore, when it comes to purposeful formation of conditions for effective long run development, first of all to assume the creation and support of highly competitive organizational structures, the concentration of financial and investment resources in priority, breakthrough industries, assistance in the accelerated creation of a full-fledged infrastructure, etc. Studies of western economists prove that 70% of GDP growth of economically developed European countries is provided through investing in innovative processes [5], and more than 15% of all investment in the country is directed to it. Among the factors that guarantee a stable and growing advantage of one country above others in the process of international competition, the most important are new, high technology. Global experience illustrates that the implementation of the state policy of comprehensive support for development and implementation of new technologies makes it possible to reach the level of high-tech production in competitive struggle and to compete with developed western countries. The countries of the Asia-Pacific region have followed this path

at one time; at present, steadily increasing investment in new technologies in the Persian Gulf countries; this is the most promising way to overcome the one-sided economic specialization and the development of world-science and education in the country. At this stage, the wealth of natural resources does not guarantee a prosperous future for the country; unless the funds are invested in the development of high technologies; then the danger of gradual developing of the raw-material orientation of the economy is inevitable. The lack of opportunities to have first-rate education, science and everything necessary for scientific and technical innovations causes country's gradual transformation to lagging and poor one [9]. Conversely, technological improvements seemed to be increasingly in to avoid the bottlenecks associated with the use of scarce natural resources.

Thus, in modern conditions technological innovations become the determinant of economic growth, its impact can be more than 80% [3, p. 404]. At the same time, the underestimation of the role of intellectual capital and science in progressive transformations leads to the loss of the potential of the country's technological and social development. Studies show that investment into science and education are very profitable; they guarantee high efficiency, creating a reliable basis for scientific and technological progress. However, innovative investments and technologies lead to success only if there is an ability of a particular system to track and master foreign research and development achievements. Therefore, the main task of every country is not to let lag behind global patterns of technological development, become technologically dependent on more developed countries. It can be carried out only through gradual and priority-driven state support of investment and renovation and modernization of production.

An important part of the investment to ensure long run development of the economy is the effective involvement of borrowed funds. It is credit dependence, which totally covers all developing countries, that proves the large-scale practice of unequal exchange between powerful and weak countries. Investment flows are becoming tools of economic pressure, this follows from the concept of ensuring the commercial benefits of such operations. Powerful European countries with a steady-state and prosperous economy have more favorable opportunities to attract foreign funds. It creates the conditions that contribute to the concentration of own investment resources and attract foreign, and in the most effective forms. However, weak countries find themselves in difficult situation, they expose their uncompetitive economy to a risk, as the result domestic business is being put out by foreign ones, and the cost of foreign investment is increasing (highly developed countries benefit from a policy of both domestic and global liberalization).

A certain problem for the financial markets of countries with relatively small foreign exchange reserves is uncontrolled changes in the volume of real investment due to rising interest rates in global financial markets. Therefore, the full liberalization of the transnational flow of investment, and particularly short-term, should not be the target benchmark of an efficient market system.

If a country artificially inflated exchange rate, which is very often observed in terms of market reforms or because of certain political factors, there is a possibility of loss of a significant part of foreign exchange reserves and to increase the volume of external debt obligations. The potential of individual investors and lenders, which is used in the early stages, is the most expedient method of reducing and more evenly distributing the debt burden.

An important trend in the modern development of the international capital market is the constant change in the conditions for attracting private capital. This is particularly true in view of the fact that the severe consequences of the latest global financial crisis, investors have become very shocked to take risks, especially in countries that have only recently begun to building of a market economy. Consequently, global trends and analysis shows that local companies that have experienced a crisis, seek greater access to long-term financing and external funds of non-residents in order to restructuring. Therefore, in the affected countries, mergers and acquisitions are becoming increasingly active. In the short term, foreign direct investment is likely to remain the most desirable source of funding for developing countries, even despite the loss of management control over investment objects.

However, sometimes it seems that for economic reform programs in the post-Soviet area, attracting foreign investment is not a mean to solve actual economic problems, but an independent goal, so important that to achieve it, it is worth sacrificing national interests. Many investors reoriented from the low-profit industrial business to the highly profitable financial industry; fast pay-back businesses are still investment attractive, such as wholesale and brokering; investors are interested in real estate activities, joint ventures are mainly focused on production of goods that are already present on the world market, and on the service sector. It is also necessary to note that the limitations of western partners on large-scale investment, intense activity of small foreign firms focused on brokering and quick return of capital; it should be noted that distribution of investment across sectors and regions of countries are uneven; use of stock market mechanisms for investment is weak; the real value of the foreign partner's contribution to the authorized fund of the enterprise is overestimated; foreign currency is concealed and exported to foreign banks [9]. And foreign investors are not interested in the innovation sphere.

It is particularly impressive that instead of investing in the sphere of material production, huge amounts of national funds are leak abroad [8]. A newly-created capital and a part of attracted foreign capital disappear from the investment sphere due to not effective use.

The increasing occurrence of global financial crises has led to a shift in the IMF's approach to regulating the international financial system as a whole, which, accordingly, has also affected its investment component. Thus, the process of capital outflow is functionally related to the general investment climate and, in fact, serves as an indicator of the possibility of attracting external resources into the country. Therefore, if there is a massive outflow of capital, then the chances of obtaining

external loans and investments immediately decrease. There are doubts about the advisability of capital investments even in potentially promising and priority projects. It is not only about the funds of international financial organizations, but also about private investors.

The process of exporting capital is carried out in both legal and illegal ways. Taking into account possible volumes of capital outflow, especially in an unstable, transformational economy, the possibility of transition of short-term crisis phenomena into a protracted phase, during which investment of industrial enterprises, agriculture, design development becomes unprofitable, besides it, enterprises may have a persistent shortage of working capital. Moreover, the capital outflow causes the further development of numerous negative socio-economic processes, which results in criminalization of economic activity and an increase in the level of corruption in the country [12].

Thus, the strategic task to ensure national economy development is not only to attract domestic and foreign investment, but also to stop the capital outflow from the country, create conditions for investment's productive functioning in the state economy, encourage investment in innovative activities, technical re-equipment and modernization of production [9]. It should be taken into account that the formation of an attractive investment climate for foreign investors, for a number of parameters, negatively affects the country's investment climate for domestic investors.

The transition of the economy to market conditions of functioning in the post-Soviet area is accompanied by an increasing scientific and technical gap between the industrialized countries. Nevertheless, the development of country's own high technologies is unprofitable, unpromising, since most inventions have already been implemented in the West. We also note that so far we have come across the reluctance and lack of interest of developed countries in importing truly advanced technologies to us. Therefore, in such conditions, it is important to restore country's own scientific potential, not only to refine and update old technologies, but also to develop new ones. It is necessary to support enterprises that introduce and adapt foreign basic technologies by providing tax and credit incentives.

The blurring of boundaries and administrative obstacles between countries, integration of regional financial markets, the compulsory opening of the economies of different countries through international competition require an appropriate consideration while improving the principles of forming strategies for investment development of national economies in modern conditions [9]. We can already say that leading countries will develop high-intellectual production and modern management technologies while transferring traditional production to lagging nations. Export of capital should be replaced by export of technologies. Accordingly, the main task of individual countries will be to create favorable conditions for the realization of individual advantages and branch features of their economy, including mandatory participation in regional integration when entering the world markets.

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## **SPATIAL COMPONENT OF PROVIDING THE BASIC CONDITIONS FOR THE SECURITY OF THE NATIONAL ECONOMY**

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Centralization and decentralization are mutually supportive processes in the management of social systems: increasing the degree of centralization leads to a decrease in the degree of decentralization and vice versa. But to determine the most acceptable level of centralization and decentralization, individual countries have

been trying for decades. For example, in Denmark, the search for an optimal level of decentralization began in 1958 and lasted until 2007, when the new distribution of powers in the new structure came into effect and directions for further stimulation of integration processes for the consolidation of municipalities were determined. The decentralization reform initiated by the Polish government in the 1990s allowed Poland to transform and become an integral part of the European Union. France has 25 years of experience in decentralization, Italy has been actively implementing measures to decentralize power in the country since 2000. According to the World Bank, 63 of the 75 transformational countries and major developing countries took steps towards decentralization in the mid-1990s [9].

In 2014, Ukraine declared the beginning of full-fledged reforms in all spheres of public life, where decentralization of public authority takes priority, because without a mature and powerful local government it is impossible to build a strong state. This process involves a depart from the Soviet model, which Ukraine received as a legacy after the collapse of the USSR, when a man with a gun and a flag was put in each village. It was power in place, but economically it was not capable. Today in Ukraine there is a de-communization of public administration, which provides formation of capable local self-government at the level of amalgamated hromadas (AH).

Analysis of the literature on the research topics [2; 3; 9; 10] made possible to highlight the spatial factors for providing the basic conditions for the security of the national economy (Fig. 1). Let us consider each of them in detail.

The practice of European countries shows that the key internal resource for the development of a territory is people, more precisely, their knowledge, skills and competences – both as individuals and as a community of citizens. However, at the present stage of development, most territorial communities are characterized by a complex demographic situation, which is about a deterioration in the quantitative and qualitative parameters of human resources through depopulation, a high level of population aging, a low birth rate, a distortion of marriage and family foundations in a spiritual and value development, a reduction in life expectancy and a migration outflow of active youth [11].

About a third of Ukrainians live in rural areas, but over the past 18 years, rural residents have decreased by almost a quarter (from 16.9 million to 13.0 million), while the number of urban residents has decreased by almost 16% (from 34.8 million to 29.3 million) [8]. According to official figures from 1990 to 2018, only 426 rural settlements disappeared from the map, but the true number of “extinct” villages is much more: in 2014, 369 deserted villages were not removed from the state registration [1]. Another 4684 villages are on the verge of extinction, whereas of 2015, there were up to 50 people in each. It is appropriate to note that the average age of the rural and urban population is almost the same (40.5 and 40.7 years, respectively). In rural areas the situation is very heterogeneous: the smaller the village, the ‘older’ it is. If in large villages (more than 1 thousand residents) elderly

people is 21% of the population on average, in small ones (less than 50 people) – 38.0% (with the average Ukrainian indicator for the village – 21.6%). The mortality rate also differs accordingly: if in large villages the number of dead exceeds the number of births 1.9 times, then in small ones 8.3 times.

Another factor in the depopulation and “aging” of rural areas is labor migration. For example, in 2001, 25.6% of rural residents worked outside it, and in 2014 – 54.9%. Among the latter, 66.9% of people worked in cities, 20% – outside their area, 12.7% – abroad [1]. Unfortunately, such migration is very often irreversible.

The key condition for maintaining the unity of the state space and the stability of the state is to reduce imbalances in the economic development of the territories through creating conditions for inter-territorial solidarity and mutual understanding. In Ukraine, the successful implementation of these processes is hampered by socio-economic problems, which, in the first place, are characterized by the differentiation of the income level of the rural and urban population. In July 2018, the average wage in agriculture was 7.5 thousand UAH, while in industry – 9.8 thousand UAH, in trade – 9.7 thousand UAH [8]. In addition, rural areas are characterized by an increased proportion of unskilled or low-skilled workers: as of 2015, 38.7% of them were employed in the simplest professions (for comparison: in the city – 9.1%), but specialists and professionals made up only 17.1% (in the city – 35.5%). The level of informal employment is also high. According to estimates, in 2015, 42.6% of the rural population worked in the “shadow” (in the city – 17.2%) [1].

The provision of rural residents is mainly due to pensions, various payments and resources of their households, and income in the form of wages, on average, is only 34.4% of the total (55.7% in the city). Households that have no workers at all are common in rural areas: in 2014, 46.2% of these were [1].

Own households cannot provide rural residents with a decent income. So, in 2015, only 17.5% of private agricultural enterprises owned agricultural equipment, 15.2% of them attracted employees, and income from the sale of agricultural products amounted to only 11.5% of total household income [1].

Theoretically, instead of an inefficient collective-farm system, farmers should have become the mainstay of the local economy. As of 2014, there were 52.5 thousand business entities in Ukraine’s agriculture (1.7 units per village on average), among which 71.3% were farm households. However, they did not revive the labor market. According to statistics for 2014, a little more than 3% worked on farms among the population employed in agriculture. Agricultural enterprises and agricultural holdings, have not revived economy as well because using modern equipment do not need as many workers as Soviet collective farms or pre-Soviet model farms. As a result, the poverty level in the village is much higher than in the city. In 2017, this indicator (in terms of the subsistence minimum) in the city was 11.8%, and in the countryside – 28.9% [5].

The formation of a single economic space in Ukraine involves overcoming inter-territorial differentiation and spatial integration of territories by establishing

the most intensive interaction between their economic entities through all possible channels of communication. One of these integration tools is transport.

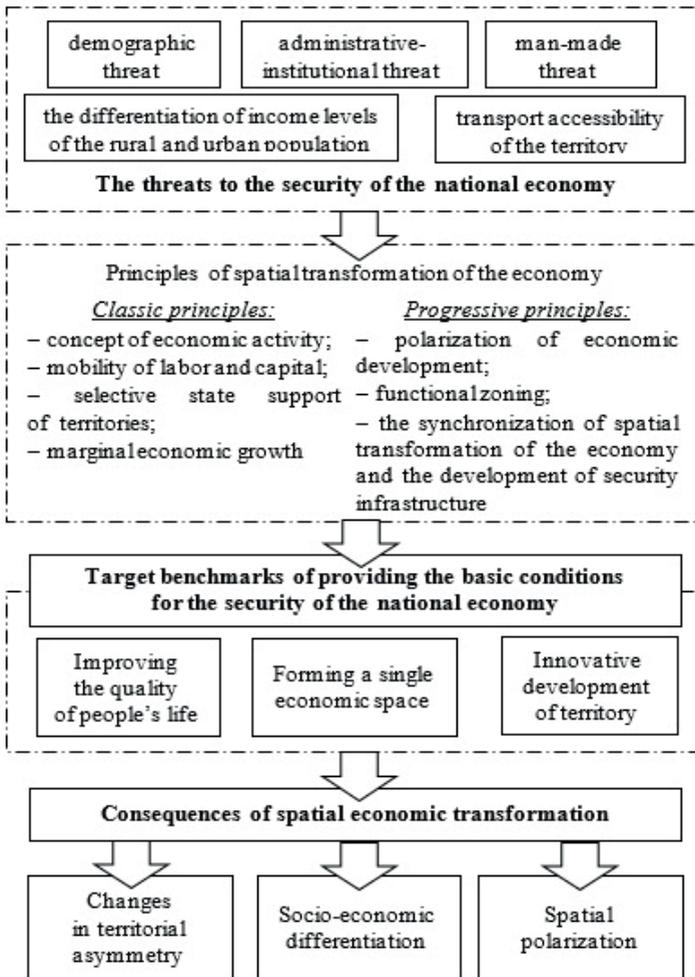


Fig. 1. The spatial factors for providing the basic conditions for the security of the national economy (developed by the authors on the basis of [2; 6; 9; 10])

The evolution of the theories of the productive forces distribution and the regional economics confirms that the transport factor that significantly influences the formation of economic centers of space. So, in the XV-XVII centuries, the centers of gravity of the population and the formation of new territorial settlements were fair as a place for the development of trade and transport infrastructure. With

the development of industrialization processes, large cities become the centers of space formation, and the key factors of spatial development were transportation costs and concentration of enterprises and objects of various industries as locations for employment places for the population.

The transport sector is economically significant: in 2017, almost 1 million enterprises in the EU specialized in providing transportation services, generating 308 billion euros of value added in the EU-28, which amounted to 12.7% of the value added of the services sector (excluding financial services). 7,400,000 people were employed in transport, or 10.9% of those working in the services sector (excluding financial services) [7].

In Ukraine, in 2016, transport, warehousing, postal and courier activities accounted for about 6.7% of GDP and 6.0% of the total number of employed people [8].

Providing basic security conditions of the national economy determines the need to improve the role of the transport infrastructure, and first of all, the state of the roads: 51.1% of which do not meet European requirements for equality, 39.2% – for durability. In Ukraine, the total area of holes on the roadway to the beginning of spring was 12,2 million m<sup>2</sup>, of which 4,6 million m<sup>2</sup> – on national roads and 7,6 million m<sup>2</sup> – on local roads [7]. After analyzing the state of the transport infrastructure of rural areas in Ukraine it is worth noting that only 58% of villages have paved roads, 33% have road lighting, and 24.4% daily transport links with developed settlements [7].

In addition, in Ukraine, in the motor transport, the renewal of rolling stock occurs at a slow pace – almost 70% of the rolling stock is technically and / or morally obsolete, and 50% of buses have been in operation for more than 10 years.

Providing basic conditions for the security of the national economy being place-led is also possible by minimizing the impact of man-made threats. The main objective of the development strategy of the amalgamated hromadas in Ukraine is to keep people locally, which is based on an understanding of their needs. The latter are stand on three aspects: where a person works, where he lives and where he rests. If desired, they can be narrowed down to two: self-realization and comfort [10]. Such things as the Internet, electricity, roads, public services, landscaping, water supply, high-quality medicine, safety – are the key to create comfortable living conditions at the place of residence for each inhabitant of the community.

According to 2015, 61.8% of rural households did not have sewage systems, in 45.7% of settlements there were no institutions providing basic services (hairdressing salons, dry cleaners, workshops, etc.). 41.8% of them were not provided with timely emergency services aid, 28.5% – with medical facilities near housing. Only a third of the country's villages are provided with kindergartens, and 41% of them – with schools. Residents of many villages do not have guaranteed sources of high-quality water supply. The number of unorganized municipal and industrial waste dumps is gradually increasing. In addition, it remains important to address issues related to civil protection of the population and territories, as well as the elimination of fires

and natural disasters in the most remote settlements.

Partially, these threats can be mitigated by reforming the system of medical and educational institutions, the system of the State Emergency Service of Ukraine. However, with the existing spatial development model, it will be increasingly difficult to maintain and develop the infrastructure of individual territories.

In such conditions, it is the decentralization of power that is able to provide communities with the opportunity, through their own resources, to ensure the livelihoods and sustainable development of their territories and, above all, the ability to provide quality services to residents. In addition, the experience of existing amalgamated hromadas shows that only those who are able to apply new management tools to the society become successful ones. Communication and the joint solution of complex problems with other communities (regions) are coming to the fore, which will save money by distributing expenses among the participants in solving a particular problem. Not all communities can maintain on their own such objects, for example, as the archive, roads, security centers (fire stations), etc. In turn, this opens up wide opportunities for the development of intermunicipal cooperation and interregional cooperation. Over time, when man-made threats will be partially minimized and become the operational activities of representatives of local authorities, it is appropriate for society to focus on narrow specialization, which will determine its uniqueness and specificity [3].

Providing basic security conditions of the national economy also involves overcoming the administrative and institutional threats to ensure the harmonious spatial development of the country. The modernization of the existing system of spatial arrangement of the country provides for the formation of a new “geography of responsibility centers” for the improvement of public life and ensuring territorial economic development. The project model of an effective territorial organization of local self-government at a basic level involves the formation of 1285 AH in Ukraine by combining 8846 territorial communities [4], which will contribute into improving the quality of local development management and avoiding the phenomenon of functions duplication between different levels of public authority.

The processes of transformation of the country’s spatial model, primarily related to human development. Its integral part is the approximation of services to a person and the provision of quality services, including administrative services. In this regard, the development of the system of Administrative Service Centers (ASC) is a marker of the success of the reform [3].

As of January 1, 2019, 775 ASCs had already been created in Ukraine (125 in the AH), the main criterion of which is 30-minute availability. Kyiv, Kharkiv, Dnipropetrovsk, Odessa, and Lviv regions are among the leaders in creating the ASCs. In 2018, local government received an additional income of UAH 3.40 billion due to the provision of administrative services [4].

When developing the place-led system of providing administrative services it is important to choose the model for organizing this process (ASC is in the

center of the community – separate buildings or premises of state institutions, inter-municipal cooperation, remote workplaces and territorial divisions of ASC, mobile ASC administrator, mobile ASC), as there are cases when the development of infrastructure for providing services at the local level is funded, but there are virtually no recipients of local services. As a result, the irrational use of local budget funds leads to a slowdown in the development of the “smart growth” society’s priorities and an increase in budget expenditures on the maintenance of the ASC, whose activities in the community are unprofitable.

The key indicators to choose the model of ASC are the number of inhabitants of the community and administrative center, the geography of society and the characteristics of settlements, location in the district center or far from it.

Modern challenges require a reassessment of the traditional principles of economic activity and the development of new spatial planning models for the purpose of creating real prerequisites for ensuring economic security and sustainable development of Ukraine in conditions of external turbulence.

However, a significant number of settlements’ general plans of the country were developed in the 1970s and 80s and are no longer suitable for use [6]. Thoughtless and haphazard distribution of land plots, primarily for private development, does not generate the tax capacity of local communities, and it is useless to hope for serious investments without the availability of planning documentation.

Spatial planning is extremely important for new amalgamated hromadas, which territory sometimes covers more than 50 settlements. Understanding this, on November 16, 2017 the Verkhovna Rada of Ukraine adopted in first reading a draft law on amending the Law of Ukraine “On the regulation of urban planning”, according to which communities are given the opportunity to plan integrated spatial development of AHs settlements as a single settlement system, including phasing of the territory development. The development of such documentation for the AHs will cost less than the development of general plans separately for each locality [6].

The development of a community planning scheme should be carried out taking into account the key obstacles to provide the basic security conditions of the national economy (the differentiation of income levels of the rural and urban population, transport accessibility of the territory, demographic, man-made and administrative-institutional threats) .On the basis of such a comprehensive assessment of the territory, proposals are being formed on the prospects for the town-planning development of the community territory. An improved planning organization is proposed. It also substantiates the directions of economic and territorial development of human settlements (including their design limits), calculates the prospective population, the required power of social and engineering infrastructure, and develops recommendations for the protection of the environment.

Thus, providing basic security conditions both at the level of the national economy and at the level of individual territories requires corresponding changes in the spatial model of the economy. The development of theories of the productive

forces distribution is determined by extraordinary weight. The industrial-oriented model of spatial development, formed in Ukraine, requires transformation. The reason is not only the lack of due attention to the problems of spatial planning since the USSR, for economic and political reasons, but also the changing role and weight of economic development factors, changes of technological requirements and forms of business organization, and the development of communication systems. The accumulation of these problems has exacerbated the need to reorient the spatial model of development of territories from the priority of allocating productive capital to the priorities of human capital, the weight of which is significantly increasing in modern conditions. The choice of the territorial development strategic priorities in modern conditions is necessary, but to a certain extent is conditional without an established system of spatial planning. Solving this problem is an important challenge to the strategy of regional development of the national economy for the period after 2020.

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## **RISKS INSURANCE OF MINING ENTERPRISES IN UKRAINE: AN INNOVATIVE APPROACH**

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Problem statement. Mining industry is one of the strategic industries of Ukraine. Given that about 50 percent of the industrial potential of Ukraine and up to 20 percent of its labor resources are related to the extraction and use of minerals. Along with this, it is characterized by significant risk-generating factors, which is caused by the specifics of mining enterprises. The presence of a large number of risks and the magnitude of possible losses, as a result of their occurrence, supports the necessity of their management. For this purpose, mining companies transfer part of their risks to insurance companies through the purchase of insurance products.

However, there are a number of risks that are not covered by insurance protection (for example, the risks associated with the life and health of miners). In addition, the scientific and technological progress and produced innovations, generate, along with the traditional risks of mining enterprises, completely new, little investigated risks that require an innovative approach to their management. Improvement of the approaches to risk insurance of mining enterprises is one of the priority tasks on the way of innovative development of the state. The risk insurance of mining enterprises on an innovative basis is important in ensuring the stability of their activities and financial stability, development of the insurance industry, increasing social guarantees, as well as for the economic development of the country as a whole. In view of the above, the issue of risk insurance of mining enterprises on the basis of an innovative approach is becoming especially urgent.

Definition of an unresolved issues. The research of theoretical and practical aspects of enterprise risk insurance was carried out by such scientists as V.D. Bazylevych [1], S.S. Osadets [2], R.V. Pikus [3], N.M. Vnukova [4], L.A. Orhaniuk-Malitska [5], V.M. Honcharov, G.M. Kovalenko, O.V. Rodionov [6], L.I. Donets [7] et al. Some aspects of the risks of mining enterprises were studied to a certain extent by the following domestic and foreign scholars and practitioners: O.A. Temchenko [8], G.Yu. Boyarko [9], O.M. Sukhina [10], A.Yu. Tsvetkova [11] et al. Analysis of the specifics of insurance in the management system of certain types of risks of mining enterprises are examined in the works by V.S. Taltykin, A.P. Malkova, M.S.

Ostrovskiy [12] et al.

The ambiguity of approaches to the development of the theoretical and practical principles of risk insurance of mining enterprises in Ukraine, as well as the lack of proper reflection in scientific works, proves the necessity of further investigation of the risk insurance of mining enterprises taking into account the current industry problems and innovative risks.

Analysis of recent research and publications. Mining activity is associated with a variety of hazards, and therefore can be described in terms of presence of a significant number of risks. In view of this, there is a need for clarification of the nature of the risks of mining enterprises, identification of their types and justification of protection taking into account the innovative approach. Insurance can be one of the effective methods of protection against risks of mining enterprises. The research of the scientific literature on the given area has shown, that the problem of insurance of risks of the enterprises is studied in works of numerous scientists and economists. In particular, the works of V.D. Bazylevych [1] are devoted to theoretical principles of insurance as a method of enterprise risk management. Similar aspects were researched in the works of S.S. Osadets [2], N.M. Vnukova [4], L.A. Orhaniuk-Malitska [5] et al.

The issue of the necessity of risk insurance for enterprises in the agrarian sector is explored by R.V. Pikus [3]. Another group of authors – V.M. Honcharov, G.M. Kovalenko, O.V. Rodionov [6] – Investigates the environmental risks of enterprises and appropriate management methods. The economic risks of enterprises and the peculiarities of their management are investigated by L.I. Donets [7].

Despite the abovementioned studies, the issue of the risks of mining enterprises and their management is not sufficiently investigated in Ukraine. Several papers deal only with certain risks of mining enterprises. For example, some of them are devoted to issues of environmental risks of mining companies and the possibility of their insurance [12]. The risks of mining companies in the system of their competitive positions were explored in their work by O.A. Temchenko. The author divided all the risks into two large groups (external and internal), where the subgroups are identified and, on this basis, the carriers of the risk of reducing of the mining enterprises' competitiveness are identified. Thus, within the limits of the external risk group, the scientist distinguishes foreign economic risks, risks of market conditions, natural-climatic, informational, scientific-technical and legal risks. The author considered the internal risks from the standpoint of four groups: mining equipment, personnel, mineral raw materials and end products [8]. The division of risks on internal and external is suggested by G. Yu. Boyarko [9.] as well. At the same time, the author considers them from the standpoint of the possibility of measuring and evaluating (the risks that can be quantified and the risks that are not subject to quantification or limited in their assessment).

Certain works explore the entrepreneurial risk associated with the implementation of an investment project in the mining industry. An interesting point is the statement

of the author, which, from our point of view, we should agree on - the division of risks into the following two groups: the first combines the risks inherent to any industrial enterprise, the other - the specific risks associated with its activities [ 10].

Thus, the study showed that today there is no holistic approach to determining the types of risks of mining enterprises, and only some aspects of this issue are addressed. In addition, there are not enough scientific developments in the field of risk insurance of mining enterprises in general and insurance of such risks in particular, which are related to the life and health of miners and cyber-risks.

The purpose of the research. The purpose of the research is to study the theoretical aspects of risk insurance of mining enterprises of Ukraine, as well as to develop practical recommendations for insurance of certain types of them in order to ensure the financial stability of mining enterprises and their continuous operation.

Research results. In our opinion, mining enterprises are characterized by both general risks inherent to any enterprise, and specific ones, inherent only to these enterprises and related to the peculiarities of their activities (Fig. 1).

According to the data presented in Figure 1, an important role belongs to political and economic risks among the general risks of mining enterprises. The urgency of these risks in the process of activity of mining enterprises predetermines the peculiarities of the domestic economy and the continuous process of reforming in the country. After all, any changes in the authorities' mood lead to changes in legislation, impact on tax policy, fluctuations in exchange rates, changes in the level of inflation and interest rates, which is reflected in the peculiarities of the operation of mining companies (for example, the devaluation of the national currency causes a change in the price of materials and raw materials, which is especially relevant when signing foreign contracts).

In addition, processes of privatization, nationalization and liquidation of enterprises, as a result of the implementation of political risk, are possible.

It is important to note that today the development of the political risk of domestic mining enterprises takes place not only at the state level, but also at the international level. After all, any changes in the political course of the country can affect the markets for deliveries of products and their value (both CIS countries (Republic of Moldova, Russian Federation) and European countries (for example, Poland, Slovakia, etc.) were present at the main markets of Ukrainian coal exports in 2016) [13].

Along with the political and economic risk, the marketing risk of mining enterprises is developed, which appears in the violations of the contract for the supply of raw materials and changes in prices, changes in demand in the market, changes in features of the goods, etc.

The ecological risk is related to the activities of mining enterprises, the nature of which is the negative impact on the external environment caused by the enterprise's activity (pollution of the air, pollution of surface and groundwater, the deposition of the earth's surface in places of extraction of minerals, etc.). It should be noted that the constant processes of climate change can make their adjustments in particular in

the activities of mining enterprises. The issue of environmental risk is very relevant and the issue of insurance is gaining special attention in its study. However, these issues require a more in-depth study and will be the subject of further research by the authors.

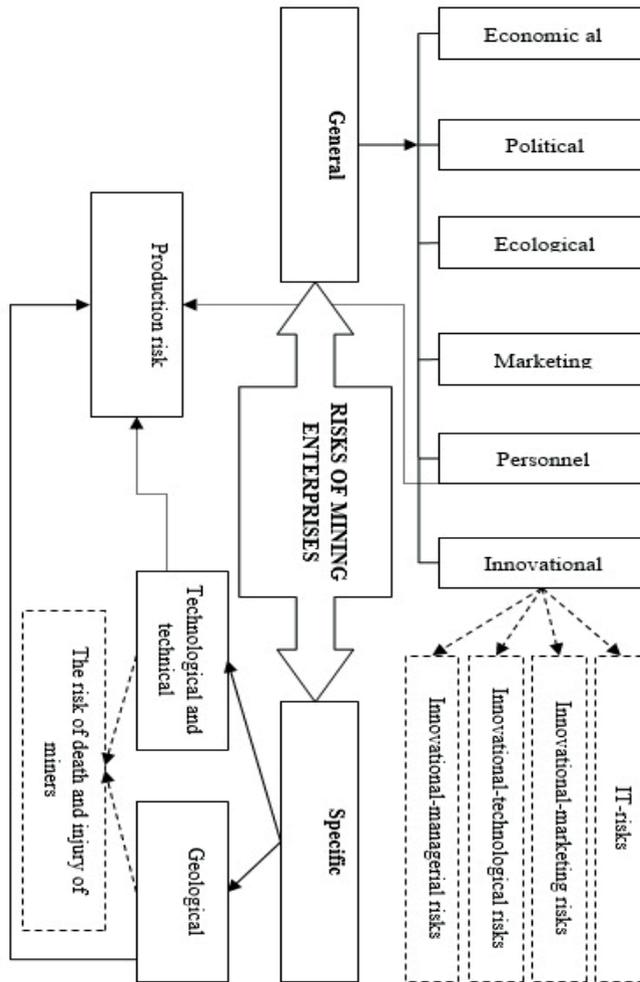


Fig. 1. Types of risks of mining enterprises  
 \* Source: developed by authors

The development of the mining industry in accordance with the modern requirements leads to the emergence of personnel risk. After all, the growing role of automation of the production process leads to the need to find highly skilled

professionals, who are able to ensure optimization of production and high efficiency of the mining enterprise. Personnel risk is manifested not only in a shortage of highly skilled personnel, but also in the aging of staff, which can lead to production interruptions and loss of production experience, fraudulent and unskilled employee actions, etc.

It is extremely important to take into account the innovative risks. Indeed, it is known, the innovations open not only new opportunities for enterprises (improve productivity, increase the efficiency of equipment operation and the enterprise competitiveness, ensure continuity of activities, improve the products quality, etc.), but also create new threats and new risks. Thus, innovation risks of mining companies include innovation-marketing risks, innovation-technological risks, innovation-managerial risks and cyber-risks.

Innovational-technological risks of mining enterprises are connected with the emergence of substitute products, new technologies for extraction and processing of minerals. In turn, an example of innovational-marketing risks is the inability to increase the competitiveness of a mining enterprise by introducing innovations in the process of production and sales of products, the coverage of new markets, the emergence of new raw materials, etc.

The necessity of introducing changes in the management structure of mining enterprises and its non-conformity with modern market requirements give rise to innovational-managerial risks in the system of innovation risks of mining enterprises.

In our opinion, special attention should be focused on IT risks, namely on cyber-risk. After all, they are of an increasing nature and among the ten most common risks of mining companies [14]. Such risks involve the use of electronic data, its accumulation, storage and transmission via computers, portable devices, servers, the internet and telecommunication networks (today the use of network systems can be traced in all aspects of the activities of mining companies: starting from mining and processing, ending with marketing).

Today, most of the domestic mining enterprises are vulnerable to cyber-risk. The causes of insecurity of mining enterprises against cyber-attacks are: insignificant level of financing of the information security department; irrational distribution of responsibility for the level of security between different departments; insufficient level of “attention” to the information security and lack of qualified professionals at the enterprise, capable of developing an effective risk management system and internal control measures [14].

It should be noted that the annual losses from cyber-attacks in the world amounted to 445 billion US dollars [15]. The losses from cybercrime in Ukraine during the first eight months of 2016 amounted to 27 million UAH [16].

Based on the above, there is an urgent need to find effective methods for protecting mining companies from the negative effects of cybercrime. After all, the leakage of trader information by the mining company may result in the loss of the market

benefits, and theft of backup copies can lead to loss of trade benefits as a result of price manipulation by the intruders. Due to the source of confidential information, cyber attacks can cause significant damage to the reputation of the company and result in huge losses [14]. Insurance is one of these effective methods. The main task of cyber-insurance is to protect against large-scale hacker attacks. This type of insurance provides the financial mechanism of recovery after major losses, helping enterprises to return to normal functioning, maintain stability, solvency and reduce losses due to a break in production [17].

Cyber insurance in recent years has gained significant development in the international market. Today, such insurance services are provided by more than 60 insurers all over the world. [17]. However, in the domestic insurance market, the offer of insurance products that would protect enterprises, including mining, from cyber-risk, is extremely low, and therefore, the level of penetration of cyber-insurance is almost zero. This situation was confirmed by a study of the range of insurance products offered by TOP-10 insurers of Ukraine in terms of collected premiums (Kremin, Ingostrakh, AXA insurance, Arsenal insurance, PZU Ukraine, UNIQA, INGO Ukraine, Providna, Ukrainian insurance group, TAS AG). As a result of the study, it was found that market leaders do not offer specialized insurance products for cyber risk insurance. Insurers provide for the coverage of risks of “illegal actions of third parties” only in the framework of other insurance products (for example, insurance of property or insurance from breaks in production). However, even under these conditions, cyber-risk is not always taken into account.

Consequently, today the domestic insurance market lags significantly behind from foreign insurance markets in the development and introduction of cyber insurance products. We believe that such an insurance product, designed to protect miners from cyber-risk, should be self-contained and provide coverage for various risks. Since today there is no required product in Ukraine, we propose to introduce a specialized insurance product for cyber-risk insurance of mining enterprises in the product line of insurance companies. Its main characteristics, which can ensure the restoration of the normal activities of mining enterprises, their stability, in the presence of an insured event, is given in Table 1.

Thus, the use of cyber-insurance in the management of cyber-risks, along with information security products, will allow mining companies to build an effective mechanism to protect against cyber-threats under active informatization and computerization, and to ensure a continuous process of its activities.

Another group of risks, as noted above, is specific, which includes technological-technical and geological risks.

The geological risk of mining enterprises is related to the non-confirmation of mineral reserves, the complexity of the geological structure of the deposit, and the technological-technical risk covers the risk of an industrial accident, including the risk of mine collapse; the risk of low quality products due to outdated technology and equipment; the risk of interrupting the technological cycle, etc.

**Features of the insurance product for the insurance  
of cyber-risks of mining enterprises**

No	Features	Key provisions
1	2	3
1	Purpose	Financial support of the insured by reimbursement of expenses in case of commitment a cyber-crime
2	Object	The insurer's property interests related to the reduction of income and (or) additional costs in connection with the commitment of a cyber-crime
3	Subjects	Insurers (insurance organizations entitled to insurance in accordance with the requirements established by the Law of Ukraine "On Insurance"); Insured (legal entities (mining companies) that have concluded insurance contracts with insurers on cyber-risk concerning the damage caused by the cyber-incident).
4	Insurance amount	The amount of the insurance amount is set individually
5	Insurance payment	Is established depending on the amount of insurance coverage and the availability of additional options, as well as from the state of information security of the enterprise
6	Risks that are subject to insurance	- breaks in production due to a cyber-incident; - loss of corporate data due to a cyber-incident; - cyber-extortion; - damage to reputation.
7	Events that are not considered being insured	The intentional or unlawful actions of the insured, which led to the occurrence of an insured event
8	Additional policy options	Coverage of the costs of investigating a cybercrime, restoring reputation; litigation costs related to cybercrime; legal services; third-party IT services (damaged data recovery, audit, rapid response and cyber incident investigations)

\* *Source: developed by authors*

The identification of the risks of mining companies and the use of insurance as a management method has a positive impact on the insurance industry development via the improvement of existing insurance products and the development of new ones, which in turn drives the country's innovative development (Fig. 2).

Also, the use of a risk insurance tool by the mining companies provides them with financial protection against the adverse effects of unforeseen events and, consequently, the stability and continuity of their work. The well-established and uninterrupted operation of mining enterprises will contribute to securing domestic needs for extraction and enrichment of minerals and for the development of export activities.

In our opinion, the above mentioned, overall, will contribute to the economic development of the country.

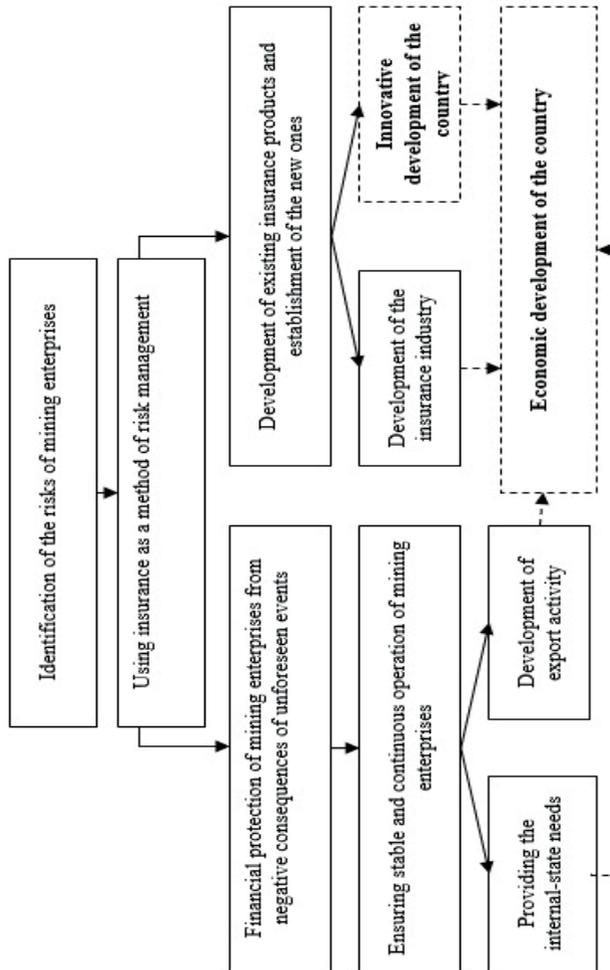


Fig. 2. Influence of introduction of innovative insurance products in risks insurance of mining enterprises on development of the country

\* Source: developed by authors

**Conclusions and prospects of the future research.** The study of theoretical aspects of the risks of mining companies has made it possible to conclude that there is no holistic approach to the definition of types of risks at present, insufficient consideration has been given to the risk insurance of mining enterprises in general, and the insurance of such risks related to the life and health of miners and cyber-risk, in particular. In our view, the risks of mining enterprises should be considered in

terms of general, featuring any enterprise, and specific to these enterprises - related to the peculiarities of their activities.

The general risks of mining enterprises include: economical, political, environmental, marketing, personnel, and innovation risks. In turn, innovation risk includes the following components: innovational-marketing, innovational-technological, innovational-managerial risks, and IT-risks, with particular emphasis on cyber-risk. With regard to specific risks, in this context, it is necessary to distinguish the technological and geological risks and the risk of death and injury to miners.

Particular attention should be paid to IT risks, namely, cyber-risk. Today, most of the domestic mining enterprises are vulnerable to cyber-risk due to: insignificant levels of funding for the information security department; irrational distribution of responsibility for the level of security between different departments; insufficient level of “attention” to information security and lack of qualified professional at the enterprise, capable of developing an effective risk management system and internal control means.

The special need for the cyber-risks insurance by domestic enterprises of the mining industry is determined by introducing an innovative specialized insurance product for the cyber-risk insurance of mining enterprises in the product line of insurance companies, because today the specialized insurance products for insurance of cyber-risk are not offered by leaders of the domestic insurance industry. The features of the insurance product for the cyber-risks insurance of mining enterprises are defined, namely: purpose, object, subjects, features to define the insured amount and insurance payment, risks subject to insurance, additional policy options and events that are not considered to be insured. It has been established that cyber-insurance in the management of cyber-risk, along with information security products, will allow mining companies to build an effective mechanism of protection against cyber-threats and from possible losses due to a break in production due to a cyber-incident; loss of corporate data in a cyber-incident; cyber-extortion or damage to reputation.

The development of new insurance products and their introduction on the market is a guarantee for the insurance industry development as a whole, and the application of insurance as a method of risk management of mining enterprises will provide stability and sustainability in their activities, which will contribute to the country’s economic development.

A promising direction for further research is to find out the features of life and health insurance for miners, as a method for managing the risk of death and injury of miners.

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## **THREATS FOR FINANCIAL SECURITY OF UKRAINE IN THE BANKING AND NON-BANK FINANCIAL SECTORS: TENDENCIES OF THE TIME OR NEGLIGENCE OF THE NATIONAL REGULATORS WORK?**

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The regulation of the state of financial security of the country is now a task of national importance. The domestic financial system, which did not manage to recover after the financial crisis of 2008-2009, received another major blow through the political crisis and the beginning of military actions in the East of Ukraine. Lack of coordination of domestic financial flows, the presence of a shadow financial sector, dependence on foreign investment capital and various types of foreign financial assistance, imbalance in the development of various sectors of the financial market, lower demand for financial products and services, financial nihilism, distrust by the population and business structures to financial intermediaries because of the lack of ability to satisfy their financial interests and the low level of protection of financial rights by the authorities – this is an incomplete a list of the conditions that professional participants in the banking and non-bank segments of the financial market are face to. These circumstances serve as a source for generating a large number of both – traditional and new types of threats to the state of financial security at both micro and macro levels. The lack of a tendency to increase the level of financial security of the country over the past five years makes it possible to assert the need to identify the most significant threats to its state and to establish the possibility of minimizing their quantity and consequences of the negative impact on Ukraine’s financial security through the mechanisms of state regulation of the country’s economic security and its financial subsystem.

The investigation of the threats for the functioning and ensuring the economic security of financial institutions of various forms and types, such as banks, insurance companies, credit unions, investment institutes, etc., is the basis of scientific works of many domestic and foreign scientists. In the context of this study, the attention is paid to the works of such foreign scholars as J. Haller, C. M. Wallen, which offer a resilience-based approach for managing third party risk in financial services organizations [1], V. Svatá, M. Fleischmann, who are exploring technology of risk management in banking industry [2], Hull J. C., who owns a fundamental research work «Risk Management and Financial Institutions» [3], A. A. Rampini, S. Viswanathan, G. Vuilleme, who also devoted attention to the development of basic provisions of risk management in financial institutions [4], D. H. Pyle, which is engaged in perfection of the theory of bank risk management [5]. Among the publications of Ukrainian researchers in recent years, it is worth to note the works of V. M Furman [6], R. S. Vovchenko [7], N. O. Grebenyuk [8], and V. Tyshchenko [9]. However, the volatility of threats accompanying the activities of financial institutions in the current economic conditions and the need for their permanent management in order to ensure the economic security of professional participants in the financial market as an important component of the financial security of the state, actualizes the need for research on the subject chosen for this article.

Negative trends observed in the domestic financial market are the result of the negligent and unprofessional attitude of financial institutions towards the management of their own economic security system, which raises the issue of the need to identify deficiencies in the process of their economic security system building and identifying the disadvantages in the mechanism of its management.

The instability of the financial sector, the steady reduction in the number of different types of its professional participants, low profitability of financial services on which institutions financial specialize - are clearly expressed external threats to the effective economic security system management of financial institutions. The uncompetitive financial system of the state in the conditions of Ukraine's integration into the EU, entering of European financial companies into the domestic financial market, endangers financial security of the state and, as a consequence, its financial independence, the level of which in the beginning of 2019 is low.

An analysis of the trends in the development of domestic banking and non-bank financial sectors made it possible to establish a list of modern threats to the financial security of the state and to determine the possibilities of influencing them on the part of national regulators of the financial market (Table 1).

Certainly, some modern threats to Ukraine's financial security have developed in the financial sector not because of the low capacity of national regulators, but because of the tireless evolution and transformation of the architecture of the financial market.

Table 1

**Threats to Ukraine's financial security in the banking and non-banking financial sectors and the possibility of regulating their manifestations  
[Complied by the authors]**

<b>Threats</b>	<b>Possibilities of regulatory influence to minimize the threat or its negative impact on financial security</b>
Professional financial market participants with minimal financial potential	Increasing the requirements for the minimum amount of capital, checking its availability in bank accounts or in real assets of institutions, termination of activities of institutions that do not meet the requirements to the size and quality of capital
Lower demand for financial services by the population and business entities	The introduction of additional mechanisms for guaranteeing the quality of financial products and services, monitoring their prices, identifying and disclosing the list of institutions that do not fulfill the financial obligations to customers and terminate their work with the provision of compensation to stakeholders
Low level of domestic financial investment	Clearing the market from fictitious and incapable financial institutions, initiating the creation of a state investment guarantee fund
Reducing the level of availability of financial products and services	Establishment of requirements for presence in the financial institution of a network of branches and offices and obligatory distance servicing for certain types of financial services
Increasing the number and variety of financial fraud	Formation and publication of «blacklists» of financial institutions that committed fraudulent actions against clients, imposition of fines, imposing more stringent requirements on personnel of financial institutions and their technical and informational and analytical support
A large number of fictitious financial institutions	Formation of a list of signs of fictitious financial institutions and the development of a method for their detection; carrying out a simultaneous comprehensive review by all regulators of the activities of financial institutions in their market segments and discontinuing the activities of those who will have signs of fictitiousness
Lack of quality assurance of financial services	Conduct a large-scale survey of consumers of financial products and services and develop methodological recommendations for ensuring their quality by financial institutions with obligatory compliance monitoring; the introduction by the regulators of the system for receiving requests from financial service clients regarding complaints about the quality of financial services
Increasing the level of risk appetite in systemic financial institutions	Increase of the level of qualification requirements for TOP management of financial institutions, the decisions of which are related to the risk of loss of financial assets of clients or financial institution or failure to receive their expected income
Lack of development strategies for security of banking and non-bank financial sectors	Development of the National Strategy for the Financial Security of Ukraine until 2025 with the allocation of its sections, which will include a list of specific measures to achieve the safety of the banking and non-bank financial sectors
High level of cash payments	Setting up a maximum commission for non-cash services, establishing a list of financial services, which can be used only on condition of non-cash payment
Low asset quality in banking institutions	Increasing the requirements for the quality and composition of bank assets and continuous monitoring of compliance

In particular, a decrease in the number of financial institutions is provoked by the tendency to clean up the market from incapacitated participants, single-day companies created for financial fraud and withdrawal of funds abroad to the offshore companies. The increase in the number of hacker attacks on financial institutions is due to the development of new technologies, the expansion of cashless circulation, the transition to remote financial services, the availability of the Internet and its capabilities to the general population. The high level of foreign capital in the domestic banking and insurance sectors is the result of Ukraine's choice of convergence with the European Union, which resulted in the total opening of markets for goods and services, including financial, for the entry of foreign companies. The attraction of investment capital from foreign donors is necessary because of the low level of financial inclusion, which hinders the expansion of domestic investment opportunities for national economic needs.

The following is a list of actions to be taken by public authorities to effectively manage the threats to economic security of financial institutions and other financial system participants in order to stabilize the financial security of Ukraine (in its various subsystems).

List of actions to achieve the strategic objectives of ensuring banking security:

- development of models of internal provisions for ensuring the economic security of banks;
- establishment of the standard of economic security of banking activities;
- development of reporting for banks to provide the regulator with information about the state of their economic security;
- reducing the level of bad loans; increase of the capital requirements for banks;
- reducing the number of banks with 100% foreign capital in the financial market (at least to the level of 2007, pre-crisis year - 10% of the total number of banks in the banking system);
- raising the requirements for the security of banking premises and developing recommendations for their placement;
- increase in the number of inspections of bank staff; expansion of the list of banking standards. List of actions to achieve the strategic objectives of securing the non-banking financial sector;
- setting requirements for the size of capital of all kinds of financial institutions and professional financial intermediaries;
- development of the list of economic norms of activity of non-bank financial institutions, obligatory for observance in the process of activity, establishment of their optimal and / or recommended values; the establishment of requirements for senior management of financial institutions (level and direction of education, work experience, etc.);
- development of documentary evidence of economic security;
- establishment of a requirement for the presence of a specialist in institution for economic security management;

- increasing the frequency of inspections of the state and performance of financial institutions by regulators;
- developing a mechanism for protecting the assets of financial institutions clients such as a fund for guaranteeing deposits of individuals in the banking segment.

*Table 2*

**Disadvantages of the work of national regulators of the financial market in terms of ensuring the financial security of the state and the possibility of eliminating them [Compiled by the authors]**

<b>Disadvantages</b>	<b>Proposals for troubleshooting</b>
Duplication of regulators functions of each other	The transition to a financial market regulation system the model of the existence of a mega regulator
Lack of an extensive branch network and representative offices	Presence of representative offices in each big city
Complex internal structure, bureaucracy, requiring multiple reconciliation of each decision with a large number of persons	Simplification of organizational structures, the use of the model for the formation of individual groups for the prompt execution of urgent tasks, the transition from hiring certain categories of employees to outsourcing personnel, expanding the use of electronic document circulation
Excessive number of functions and tasks that can not be performed in a timely manner	Automation of a number of procedures for checking and monitoring the activities of financial services markets; clarification of the list of priority and secondary tasks of regulators
A complex model of disclosure by regulators of the results of their activities to participants in the financial system	Simplify the architecture of regulators' sites, increase the level of transparency of their activities through the resources of the Internet

The implementation of the proposed measures can only be successful if the national regulators of the financial market operate effectively. However, in Ukraine, the reform of the approaches to state regulation of the financial sector is continuing, and in 2019 among specialists there is no unity as to which model of regulation should be chosen: the traditional one that is in force today and foresees the existence of three national regulatory structures at the same time for the participants of the financial market - The National Bank of Ukraine, the National Commission on Securities and Stock Market, and the National Commission, which carries out state regulation in the field of financial services markets; a model of the financial regulator that combines the functions and tasks of all three of the listed structures and will become the only structure that will coordinate the rules for conducting financial activities in Ukraine, or apply the so-called SPLIT - to distribute the functions of regulating the activities of financial institutions and, therefore, their financial security, between the two bodies - the National Bank of Ukraine and the National Securities and Stock Market Commission, thus terminating the existence of the National Financial Services Commission. This model of financial market regulation has received the name Twin peaks in the world. At the moment, it is difficult to predict how a new regulatory model will affect the level of Ukraine's financial security, however, to point out the

shortcomings of the existing regulatory approach to regulating the functioning of the financial market and its participants in view of the likelihood of its reforming in the long run, would be appropriate (Table 2).

We believe that the distribution of functions between the two regulators of the financial market, as proposed today, will not solve the problem of securing banking safety and security of the non-banking financial sector. Firstly, at this stage of the development of state regulation of financial security of a country, a single institution or body is required to take care of this issue. Within the framework of this study, we considered the threats to financial security only in the banking and non-banking financial sectors, and the system of financial security of the state includes budgetary, and debt, and currency, and monetary components. So if we assume that a separate institution will be formed to regulate each subsystem of financial security, then the comprehensive mechanism of its regulation, which at the moment is so necessary, will remain unformed. Secondly, the division of the functions of financial market regulation between the two institutions will be a long process, which will require personnel, financial, and information support. However, it is urgent to resolve the issue of stabilizing Ukraine's financial security. The loss of financial sovereignty that now threatens our state will eventually transform Ukraine into a raw material appendix and a cheap labor market for European countries.

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## **HEALTH CARE AS AN INTEGRAL ELEMENT OF THE NATIONAL SECURITY**

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Issues of ensuring international and national security as the basis for functioning and developing the processes of the effective public administration have come to the forefront in the beginning of the 21st century. System of the national security is a complex multi-layered socioeconomic system based in accordance with the objective and subjective processes influenced by multiple external and internal factors.

System of the national security is a set of state institutions and non-governmental organizations, which operate in the field of protection human rights and freedoms, basic societal goals against external and internal security threats and also corresponding sub-system of state legislation and non-governmental organizations' normative documents [3, p. 328].

In accordance with the Law of Ukraine "On fundamentals of national security" [1], national security is protection of state sovereignty, territorial integrity, democratic constitutional order and other national interests of Ukraine from real and potential threats. These measures have to ensure the constant state development.

Existing practice shows, that in regard to the ensuring the national and human security, man-made, natural and socio-political sources of a national security threats are viewed. But the issues of human security are much wider and should include the issues of functioning healthcare sector.

Development of the healthcare system directly impacts on the main indicators of life. Thus, the healthcare sector has to be considered as the strategic one, taking into account state economic potential, priorities of the social politics, ensuring the sustainable development and functioning of the State in the conditions of

globalization and integrative processes.

But the problem is that in Ukraine the crisis of healthcare system and social protection of population, and, as a result insecure deterioration in health of the population, spread of drug addiction, alcoholism and social illnesses are not considered under the main real treats to Ukrainian security, society's stability in the social and humanitarian sphere.

Economic security of the State is considered as the main element of the national security of any country. It consists of the industrial, demographic, energy, external economic, innovative and investment, macroeconomic, food, social and financial securities [2].

Demographic and social securities are particularly important in terms of our research. In accordance with [2]:

- Demographic security is defined as protection of the State, society and labour market from demographic threats, that allows Ukrainian sustainable development considering a set of balanced demographic interests of the State, society and personality in response to the constitutional rights of Ukrainian citizens.

- Social security is defined as protection of the State that allows it to ensure proper quality of life, regardless of age, gender, income level, and to contribute to the development of human capital as the most important part of the state economic potential.

Thus, the State's population is the main element of the demographic and social securities, and their main indicator is public health. In this way, we can make the causal chain: health care is one of the fundamental elements in the structure of economic security (as the important element of national and local social infrastructure), which, in turn, forms the national security's system [4, p. 25-27].

In that case it seems interesting the position of L. Shevchenko, Ukrainian researcher, who attributes the security of human development to the State's economic security. This concept is not directly codified in the law, but is viewed as a derivative of the demographic and social securities. He emphasizes that the main spheres of the security of human development are (a) demographic, including vital security; (b) educational security; (c) employment security, including industrial one; (d) security of material well-being.

Interesting one for us is a concept of vital security. Vital security of the society and the State is guaranteed by the ability of the healthcare sector to ensure the realization of human rights to life and health, medical care and health insurance, to eliminate the dangers, which can treat the human life and health, to function sustainably under any unfavorable conditions, and also by the ability of the State to protect the national interests in healthcare sphere from the potential treats [7, p. 139, 145].

Another Ukrainian researcher, V. Pashkov, in his scientific works has viewed the concept of vital security as an integral element of national security. He defines this concept as a security of citizens' life and health and emphasizes that vital security

as an object of legal economic order can be a recipe for the effective functioning of healthcare system. Moreover, he states, that the issue of vital security as an integral element of the national security grows beyond the bounds of legal and operational frameworks and obtain the constitutional and legal political importance. Thus, the main factors of ensuring vital security are (a) guaranteed provision of health care and high-quality medical services; (b) carrying out the efficient preventive activities; (c) state support for the pharmaceutical sector of health care; (d) state support for scientific and innovative activities of health care; (e) effective import control of the drugs and medical items; (f) control of the environmental soundness of the foodstuffs, potable water, air, which is related to establishment single monitoring body [5, p. 308].

V. Pashkov classifies the threats to vital security. Before outlining these threats, we have to emphasize, that development of economic and legal relations in the healthcare field, which are uncontrolled by the State, is itself an indicator of existence of destructive tendencies in the state. Crisis of Ukrainian healthcare sector considerable complicates the solution of the tasks, related to addressing the treats to vital security.

Structure of security threats in the healthcare sector are the following:

- 1) insufficient level of funding available to the healthcare sector and related to this, threat of losing the scientific, human and intellectual capital of the healthcare sector;
- 2) collapse of industrial innovative production and related to this, increasing dependence on imports of drugs, medical items and knowledge-intensive products;
- 3) growth of shadow economy in healthcare sector and related to this, threats of adulterated medicines' turnover increase;
- 4) low efficiency level of state regulation in healthcare sector.

But the most common security threats are the natural hazards and ecological ones. Nevertheless, we have to emphasize, that a list of threats to vital security is wider. Thus, the Law of Ukraine "On fundamentals of national security" distinguishes security threats, involving a broader range, among which we can highlight the following system of threats, relevant to vital security:

I. Threats of inner political issues:

- a) structural and functional imbalance of political system and inability of its separate elements to respond quickly to security threats.

II. Economic threats:

- a) significant decrease of GDP, investment and innovative activity, scientific, technical and technological potential, research activity in the strategically important directions of State's innovative development;
- b) weakening of the system of state regulation and control in the economic sphere;
- c) critical condition of main productive capacities of enterprises of leading industrial spheres (e.g. agribusiness, life-support system and so on);
- d) critical dependency of the national economy on the external markets'

conjecture and low paces of expanding domestic markets;

e) rapid paces of shadow processes of national economy.

### III. Social and humanitarian threats:

a) discrepancy between the state economy's reformation programs and results of their realization and defined social priorities;

b) crisis of national healthcare system and social protection of population, and as a result, dangerous declining health, spread of drug addiction, alcoholism and social illnesses;

c) escalation of demographic crisis.

### IV. Scientific and technical threats:

a) increasing scientific and technical gap with developed countries;

b) inefficient state innovative policy and stimulation mechanisms of innovative activity;

c) low competitiveness of the national products;

d) underdevelopment of the domestic market of high-technological products and lack of its efficient protection against the international technological expansion.

### V. Ecological treats:

a) insurmountable socioeconomic consequences of the Chernobyl disaster;

b) deteriorating ecological conditions of water basins, growing problem of cross-border pollution and decline of water quality;

c) uncontrolled import into Ukraine of the environmentally detrimental technologies, substances, materials, transgenic plants, animals, species and derivations, which are dangerous for people;

d) increasing harmful genetic impact in the populations of living organisms, such as genetically modified organisms and biotechnologies.

### VI. Informational threats:

a) media distribution of the cult of violence, cruelty and pornographer.

Indeed, systematization of the security threats directions forms their separate direction, such as vital security, which obliges healthcare system to meet the requirement of the modern society [6].

Thus, we can state, that health care is a key element of the social sphere and is of a great essence for the national economic security as a determining factor of life quality and quality of human capital.

Our research is directed on the analysis of the modern healthcare system and the logic of this study is argued above. In this regard, we have to research the development level of Ukrainian healthcare sector.

National healthcare sector has been functioning in the crisis conditions since 1990s. Following indicators, presented in Table 1, are confirmation of this.

Data of the above presented table confirms our statement that Ukrainian healthcare sector is in crisis: all the indicators show negative trends. Thus, reasonable and rational investment in the healthcare system arises from the need to ensure society's social needs, but also to ensure national economic security.

Table 1

## Main indicators of Ukrainian healthcare sector for the period 1990-2017

Indicator	Year						Ratio of 2017 to 1990, %	Absolute increase of 2017 to 1990
	1990	2013	2014*	2015*	2016*	2017*		
1. Expenditures on health care in accordance to GDP, %	...	4,2	3,6	3,6	3,2	3,4	-	-
2. Total mortality rate	12,1	14,6	14,7	14,9	14,7	14,5	119,8 (+19,83 %)	2,4
3. Total fertility rate	1,85	1,51	1,50	1,51	1,47	1,37	74,05 (-25,95%)	-0,48
4. Natural population growth	0,5	-3,5	-3,9	-4,2	-4,4	-5,1	-	-
5. Number of health facilities, thousand	3,9	2,2	1,8	1,8	1,7	1,7	43,59 (-56,41%)	-2,2
6. Number of out-patient polyclinic establishments, thousand	6,9	10,8	9,8	10,0	10,2	10,4	150,7 (+50,7%)	3,5
7. Number of independent dental clinics	311	252	198	197	197	197	63,34 (-36,66%)	-114
8. Number of medical facilities, which have dental department	4782	2409	1782	1762	1690	1679	35,11 (-64,89%)	-3103
9. Number of physicians of all specialties:	227	217	186	186	187	186	81,93 (-18,07%)	-41,0
- overall, thousand	44,0	48,0	43,5	43,7	44,0	44,1	100,23 (+0,23%)	0,1
- per 10,000 population								
10. Number of nursing staff:								
- overall, thousand	607	441	379	372	367	360	59,31 (-40,69%)	-247
- per 10,000 population	117,5	97,4	88,6	87,3	86,5	85,4	72,68 (-27,32%)	-32,1

\* Excluding temporarily occupied territories of the Autonomous Republic of Crimea, Sevastopol, Donetsk and Luhansk regions.

Source: calculated on the basis [8].

Development of financial support system in healthcare sector is an integral part of state socioeconomic policy, directed on further development of national healthcare system and national economics by enhancing the quality of national human capital.

In view of foregoing, there is a need to develop and adopt the national doctrine of

social security as an integral element of the national one in order to ensure national vital security. Thus the government together with Ministry of Health of Ukraine has to develop and implement the national strategy for ensuring social security, including vital security. In this, the depth of the modern crisis of healthcare and a lot of threats reflect the necessity to focus attention on the next priorities:

1) to form the efficient financial mechanism in healthcare system, based on multi-channel funding;

2) to implement market-based mechanism in national healthcare sector;

3) to form the rational management system and efficient state regulation of healthcare sector;

4) to develop adequate motivation mechanism for medical staff, taking into account the current crisis of medical labour market;

5) to develop the rational mechanism of ensuring innovative medical, technical and technological activity focused on the advanced world technologies.

The effective resource allocation in healthcare sector is possible due to implementation of legal contractual arrangements, which could become a trigger for intensification of the series of management strategies, such as decentralization of medical facilities, hence their financial and managerial autonomization; improvement of work efficiency of health service providers; improvement of planning of healthcare sector's development and managing the process of health services provision; and so on.

Over recent years in Ukraine, according to the Ministry of Health of Ukraine, expenditures on health care have increased fourfold, but as we can monitor, without qualitative changes. Thus, today it is necessary to change conceptual approaches to healthcare sector's functioning through implementation of market-based mechanism in order to ensure national economic, social and vital securities.

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## **STATE REGULATION OF MARINE INSURANCE IN UKRAINE AS A NATIONAL SECURITY FACTOR**

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The development of Ukraine as a social and legal state implies proper implementation of the property rights and interests guaranteed by the Constitution of Ukraine, as well as ensuring the country's financial, economic and national security. In modern conditions, the main role among the mechanisms of protection of these rights and interests is played by insurance. In the presence of an efficient organization, this type of activity can ensure the stability and sustainable development of the domestic economy, its protection against various types of risks.

In the conditions of Ukraine's independence, decentralization of the insurance relations system took place, as a result of which the regulation of the main areas of insurance activity is carried out on private legal principles. Under these conditions, the state retains the role of regulator of insurance relations. According to M.V. Golikova the type of insurance, which requires the improvement of the mechanism of organization and regulation is marine insurance [3, p. 124-128].

As noted in the analytical report of the National Institute for Strategic Studies, Ukraine is a maritime state, based on its spatial and geophysical peculiarities, place and role in the global and regional systems of international relations. It gained this status owing to its geographical position with its exit to the ocean, the length of the sea borders and the area of the water area, as well as a significant contribution to the study of the oceans and the development of navigation [9, p. 3].

However, during the years of its state development, Ukraine has practically lost

the initial position of the maritime state to a large extent due to a significant decrease in the level of competitiveness of its maritime complex. The reason for this was the underestimation of the role of the state in democratic transformations, inherent in the transition to market relations, and the role of maritime policy in the process of supporting and developing the economic power of the state, strengthening its international credibility.

In the world today it is impossible to imagine a landlocked country without a priority development of the maritime sector and the introduction of a balanced and effective maritime policy, which includes, as a separate element, a strategy for the development of maritime insurance. Even those countries without maritime borders are trying to engage in the development of the resources of the oceans and the organization of rational and safe transport and logistic networks for the delivery of goods produced within the framework of the international division of labor.

Radical changes in the geopolitical, military-political and economic situation taking place in the world, the victory of democratic forces in Ukraine and the deployment of active political and economic cooperation with the EU, the resumption of the dialogue on joining NATO against the backdrop of Russia's aggression against Ukraine, the annexation by the Russian Federation of the Autonomous Republic of Crimea and the City of Sevastopol, with attempts to redistribute control over the waters of the Azov and Black Seas, require the correct vector of development of Ukraine as a naval state to be taken into account taking into account new circumstances and balance of power on the international arena and within the country.

Considering the scientific and methodological foundations of marine insurance, we could say, that today the scientific discussion on this category is quite wide-ranging and multifaceted.

Thus, S.L. Yefimov offers to consider modern marine insurance as «a system of economic relations associated with the creation and use of insurance funds in order to compensate for damage from marine hazards and provide financial assistance to members of the marine enterprise from various unforeseen incidents, as well as other business entities involved in merchant shipping and the use of natural resources of the continental shelf» [4]. Such a systematic approach to this definition makes it possible to classify marine insurance among economic categories.

At the heart of economic relations with regard to maritime insurance lies the insurance fund in cash, which is created at the expense of regular or one-time contributions by all its participants. The cash contributions of the participants constitute the resource financial base of the insurance fund, at the expense of which the payment of compensation for damage from marine hazards and other unforeseen incidents is paid. Thus, maritime insurance acquires the character of an economic instrument for minimizing and overcoming the natural and man-triggered risk associated with navigation and the development of the natural resources of the continental shelf.

V.D. Bazylevych complements the definition of the feature of an international component [1], which allows marine insurance to be investigated as a financial and economic category and studied in the system of financial and state security.

In foreign sources, in particular the Merriam-Webster dictionary, it is noted that from a legal point of view, marine insurance is a guarantee of loss from damaging or destroying goods, means or tools for its transportation at sea [14]. Practically the same definition of marine insurance is given in the Cambridge Dictionary, which states that marine insurance is an insurance covering losses from the loss or damage of the ship and the goods it carries [15].

The study of scientific discussion allowed the authors to systematize the main approaches to the analysis of the essence and differences in the content of marine insurance, which are, firstly, in the classification of marine insurance or to a separate types (N.I. Machina [7], Liga: Zakon [8]), or to the complex, which includes several types of insurance (S.L. Efimov [4], T.A. Lizunova [6] and R.T. Yuldashov [13]). Besides, some scientists identify marine insurance with marine risk insurance (N.I. Bogomolova, O.I. Panchenko and Kh. I. Shtirhun and with insurance of water transport (NJSIC «Oranta» [2]). Furthermore, a separate group of scientists understands the marine insurance as the system of economic and civil-relations (S.L. Efimov, V.I. Fisun and G.M. Yarova [4]).

The author's definition of marine insurance complements this category with the following thesis: this is an insurance industry that characterizes the system of economic relations associated with the creation and use of funds of an insurance fund, has an international component, provides insurance protection against port risks, other onshore and offshore risks and is an important factor in national security in maintaining the continental shelf.

The economic essence of marine insurance is manifested through the inherent features of this category, which reveal its content. Maritime insurance performs distribution, control and warning functions.

Distributive function of marine insurance is expressed in a clear separation of financial flows formed when creating and using an insurance fund. These flows are directed by clubs of mutual insurance and joint-stock insurance companies.

The control function of marine insurance is expressed in the strictly targeted nature of the use of funds of the insurance fund, intended for insurance indemnity payments. Control is expressed in the verification of the facts and circumstances under which the damage was caused. This eliminates the possibility of intentional damage to the purpose of illegal enrichment. In addition, the control is carried out at the stage of attracting new members of the insurance fund, for the presence of objects in their proper condition, which are accepted for insurance.

The warning function of marine insurance is expressed in the implementation of a wide range of measures aimed at preventing or reducing the negative effects of marine hazards and other unforeseen incidents. The activities of a mutual insurance club or a joint-stock insurance company for preventing and minimizing losses are

considered to be a prevention [4].

The objects of marine insurance include: 1) a ship as a type of transport vehicle with a certain cost; 2) the cargo carrying the vessel; 3) freight - income received by the owner of the vessel from the use of it as a vehicle or lease; 4) the civil liability of the shipowner or the carrier for damage that may be caused to third parties, the environment during the operation of the vessel, and 5) sea platforms.

Consequently, the main task of marine insurance is the reimbursement of the damage caused to the insured objects caused by negative factors in relation to their property interests related to commercial seafaring. At the same time, the property interests of the insured may include: insurance of ships operating and those in construction, cargo insurance, liability insurance of the shipowner, insurance of freight, insurance of wages and other amounts due to the ship's crew members, including the costs of repatriation of crew members, Life and health insurance of crew members in the course of their duties [1,7]

In order to understand better contemporary issues, let's look at the historical origins of this issue. Consideration of the historical features and evolution of marine insurance makes it possible to conclude that marine insurance is one of the oldest types of insurance.

The most widespread use of marine loan as a prototype of classical marine insurance was observed in ancient Greece and Rome [4, p. 37-71]. After the collapse of the Roman Empire, marine insurance in the form of a timely maritime loan fell into decline and began to be actively restored only at the time of the Middle Ages.

Scientists argue that the medieval maritime insurance, revived after the ancient decline, first arose in Portugal for the mandatory mutual insurance of sea vessels, introduced in the fourteenth century. King Ferdinand, and then moved to Spain, and only later, only in the fifteenth century. - in Italy [11, c. 4]. This opinion relies first and foremost on the fact that it was in Spain that the first insurance statute was created. But this circumstance alone proves nothing. After all, practice always preceded by legislative consolidation. Therefore, this fact is confirmed only by Spain's understanding of the need for legislative regulation of insurance relations earlier than other countries, but does not confirm that Spain independently developed and not borrowed this agreement. Meanwhile, in favor of Italy says the fact that the insurance terminology of Italian origin, an indication of researchers of the XIV century. to Italy as the home of the insurance contract, as well as the fact of property development of medieval capitalist production, trade turnover, banking and bill business in the Italian Republic Italy significantly influenced the development of insurance in other countries, especially in Spain, France, the Netherlands and England. Of particular importance, especially since the fifteenth century, Italy was a rival in the field of maritime insurance itself, but in this respect, in spite of its world (maritime and colonial) power, it was only in the second place.

Consequently, during the European Renaissance, marine insurance was revived in the thriving shopping cities of Italy and Spain. It has spread over the great trade

routes to the Northwest coast of Europe. This move was due to two points. On the one hand, in the economic development of Italy is manifested in the fourteenth century. a certain regress. On the other hand, in the sixteenth century. on the southwestern coast of the North Sea began to create a new cell of capitalist development and at the same time an antifeudal, revolutionary and national-religious war.

Due to the economic upswing, the leading position in the insurance field is particularly strengthened by the Netherlands in the seventeenth century, when half of Europe's merchant fleet is concentrated in their hands, and their economic and political role has reached its climax. They keep their insurance championship, albeit in somewhat weakened form and in the first half of the eighteenth century. [13, c. 112-174].

The strongest rival of the Netherlands in the field of insurance was in this era, especially in the seventeenth century France. It also corresponded to its economic situation at that time. If Holland in the seventeenth century. played a dominant role as a trading nation, France became a dominant trading country [1].

The Dutch influence on the development of insurance also affected other countries, especially in the North Germanic and in England, where it also penetrated through the German Hanse, where the idea of maritime insurance was adapted by merchants in the Hanseatic Trade Union already in the XIII-XIV centuries. In the legislation of Hansa, Visbyloven (laws of the wise city), there are provisions on marine insurance.

However, Scandinavia has developed and now has its own model of marine insurance, while in Europe it still builds on the principles laid down by the merchants of Hansa [1, c. 9].

Strengthening the robbery with the development of trade on land routes has forced Northwest Europe's merchants to join their efforts to protect their common interests and trade security. Thus, in the spring of 1241, the merchants of Lübeck and Hamburg sign an agreement on joint liability for damage caused by the robbers to their inhabitants, in which it was stated that in the case of the attack of robbers or other «evil people» on the inhabitants of these cities in the territory where the Gauja River falls into the sea, and up to Hamburg, and from there through the entire Lab to the sea, all the costs associated with the destruction of these robbers, were distributed evenly among the parties to the agreement.

Thus, even in the early stages of social development, there was an objective need to compensate for losses caused by loss or damage to property. It was fear of misfortune that, by accident, prompted the search for remedies, warned against unwanted action, demanded the creation of certain stocks that could be used after unforeseen and unwanted but inevitable circumstances.

Pre-forms of maritime insurance contracts were concluded in the ancient world (maritime loans) in the VIII-VII centuries. until e. By the beginning of the XII century. maritime insurance was a separate type of insurance, in the XIV century. in Italy began its active development. In 1600 in England, the first Marine Insurance

Law was adopted. There also appeared the insurance company «Lloyd», a form of maritime policy was developed, which is used to this day, formulated the most common nowadays rules of maritime insurance [6, c. 45-88].

Thus, the emergence and development of marine insurance are interconnected with the emergence and development of maritime trade. Subsequently, insurance activities were distinguished from spheres of usury and banking capital circulation into an independent connection of the financial system of each state. The basis of marine insurance law is a marine insurance contract, which is recognized as an insurance policy. The economic essence of marine insurance is the redistribution of monetary relations in the creation and use of resources of the insurance fund, designed to compensate for damage from marine hazards and other contingencies. These relationships are related to the risk assessment in the insurance currency, including through a unit of account.

The need to determine the main directions for the further development of Ukraine as a naval state, taking into account the economic interests of Ukraine and the security of the state, is due to the enactment of the Decree of the President of Ukraine Decree of the National Security and Defence Council of Ukraine dated May 26, 2015, No. 287/2015 «On the Strategy of National Security of Ukraine» among other things, the need for the adoption of a new edition of the Marine Doctrine of Ukraine was determined. Within the framework of this work, the study of directions and tools for the organization of insurance activities by types of marine insurance in Ukraine, as well as the search for ways and directions of development of this type of aging in the framework of complex development of the marine complex of Ukraine is relevant.

The basis of domestic legislation in the field of marine insurance is: The Law of Ukraine «On Insurance» [10]; The Civil Code of Ukraine [12]; Code of Merchant Shipping of Ukraine [5] and others.

In Art. 979 of the Civil Code of Ukraine, an insurance contract is defined as a contract, according to which «one party (insurer) undertakes, in case of occurrence of a certain event (insured event), to pay to the other party (the policyholder) or another person specified in the contract, the monetary amount (insurance payment), and the insurer undertakes to pay insurance premiums and to comply with other terms of the contract «[12].

The Law of Ukraine «On Insurance» emphasizes the fact that it is a written agreement, and gives the following definition: «The insurance contract is a written agreement between the insured and the insurer, according to which the insurer undertakes a liability in the event of an insurance the option to make an insurance payment to the insurer or another person specified in the insurance contract with the insurer in whose favor the insurance contract has been concluded (to provide assistance, to perform the service, etc.), and the insurer undertakes to pay insurance payments within the specified time limits and you to reconcile other terms of the contract «[10].

Marine insurance agreement is regulated in Chap. XV The Merchant Shipping Code (hereinafter referred to as «MSC»). According to Art. 239 MSC, under the contract of marine insurance, the insurer undertakes for the pre-determined payment (insurance premium) in the event of the onset of the risks or incidents provided for in the agreement, which is subject to insurance (insured event), to reimburse the insurer or another person, on the benefit of which was concluded under the contract, incurred losses [10].

Scientists proposes to make changes to Art. 239 MSC and put it in the following wording: «In accordance with the law of marine insurance, the insurer undertakes, in case of occurrence of the risks or incidents stipulated in the contract, which is subject to insurance (insurance), to compensate the insured or another person, on the beneficiary of which has entered into an agreement (the beneficiary), the losses incurred, and the insurer undertakes to pay insurance premiums and to fulfil other conditions of the contract «[3, p. 28]. It should be noted that these definitions of marine insurance are of a general nature. At the same time, the peculiarity of the maritime insurance contract is in the object of insurance, since it is precisely it that qualifies it, which allocates it among other insurance contracts.

Concerning certain objects of marine insurance, the law provides for some legal consequences, for example, under Art. 248 MSC, in the case of the alienation of the insured cargo, «the insurance contract remains valid, and all rights and obligations of the insured pass to the purchaser loading. If, prior to the alienation of the cargo, the insurance premium has not been paid, the obligation to pay it is borne both by the insured and the purchaser of the goods. However, the requirement to pay the premium is not valid in relation to the owner of the policy or other insurance document, in which there is no indication that the premium has not been paid «[25]. Other legal consequences occur in the event of the absence of the insured vessel. Art. 249 MSC establishes: «In case of alienation of the insured vessel, the contract of maritime insurance shall be terminated from the moment of alienation. However, in case of alienation of a vessel during a voyage, the contract remains valid until the end of this voyage and the acquirer of this vessel passes the rights and obligations of the insured «[5].

The proper level of organization and state regulation of maritime insurance can be ensured only if its mechanism is effectively functioning.

The subjects of the mechanism of state regulation of maritime insurance are: the Cabinet of Ministers of Ukraine, which provides legal regulation by approving the legislative norms of the functioning of the insurance market in general and maritime insurance in particular; National Commission, which carries out state regulation in the field of financial services markets, which conducts state registration, licensing of insurers and carries out insurance supervision; The Ministry of Infrastructure of Ukraine, which, among other tasks, is developing a policy on the introduction of transport insurance.

Objects of the mechanism of organization and state regulation of marine

insurance insurers (shipowners) and insurance organizations (Fig. 1).

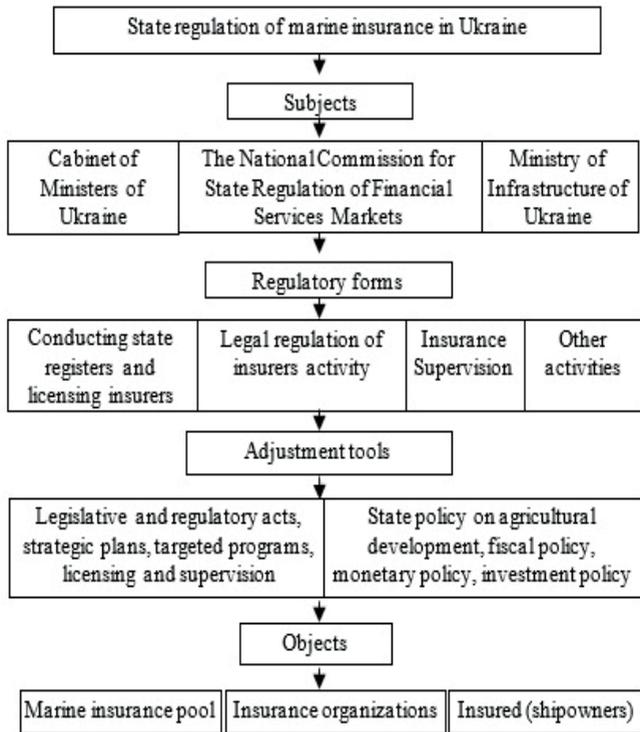


Fig. 1. The mechanism of organization and state regulation of maritime insurance in Ukraine.

*Source: compiled by the author on the basis of [1; 5; 10]*

It is clear that the main objective of the functioning of the mechanism of state regulation of maritime insurance should be to provide favorable conditions for the development and operation of this insurance industry. A separate goal is to provide supervision over the financial status of insurers and their compliance with insurance legislation, protection of interests of consumers of insurance services.

An important element of the effective operation of the existing organizational structure of state regulation in the field of maritime insurance is to ensure proper cooperation and coordination between the main regulators and identify the long-term long-term goals and benchmarks.

It should be noted that the effectiveness of the mechanism of state regulation of marine insurance in Ukraine can be achieved only if the principles are observed: the protection of the rights and interests of participants from the state, transparency

and availability of information base necessary for decision-making, support for fair competition, the existence of state the regulatory body with clearly defined functions and powers [9, p. 26-34].

Consequently, the financial and legal regulation of marine insurance is an important and compulsory element of the effective development of the marine complex of Ukraine.

The study made it possible to establish that the mechanism of organization and regulation of marine insurance can be presented as a set of forms and tools that ensure the functioning and regulation of insurance activities in the field of protection of interests of shipowners and other stakeholders.

The effectiveness of the organization and operation of this mechanism will depend on the coherence of the regulatory authorities in this area and the well-defined priorities for the development of maritime insurance.

Marine insurance includes a fairly wide range of types of insurance covering all possible losses that may arise both in the transport of goods by water transport and during the operation of vessels, including their construction. Since intercontinental communication between countries in trade relations can be carried out only by two main modes of transport (maritime and aviation), and sea transport is able to deliver loads much larger and in large quantities, insurance in maritime transport (due to increased riskiness, especially in intercontinental transportation) is the only sure way to protect yourself and your business from unforeseen costs.

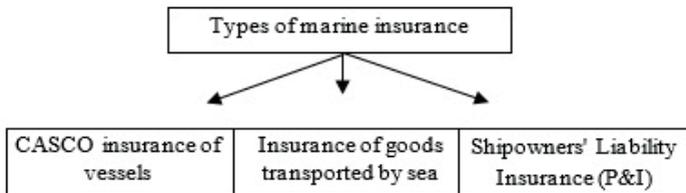


Fig. 2. Types of marine insurance  
 Source: compiled by author based on [4]

Insurance of CASCO vessels includes the following types of insurance coverage:

- with responsibility for total loss and damage - losses incurred as a result of actual or constructive loss of the vessel, its parts and mechanisms, as well as expedient expenses of the insured, are covered.
- with liability for damages only - the expenses are spent on elimination of damage to the ship, its parts and mechanisms and expenses aimed at reducing or preventing the amount of damage.
- with full responsibility for death, including salvage costs, the damage caused by the actual or constructive loss of the ship, its disappearance, as well as the cost of saving and expenses, aimed at reducing or preventing damage.

- with liability only for total death - losses incurred as a result of actual or constructive loss of the vessel are covered.

- Insurance of goods transported by sea - includes the following several types of insurance coverage:

- from the responsibility for all risks - the widest version of the insurance coverage, which provides insurance protection on the principle of all that is not excluded, then included. In addition to this category of risks, insurance coverage for the following risks can be added: refrigerated risks, fraud, loading / unloading, temporary storage, terrorist act, military risks, and so on.

- from the responsibility for the risks of a private accident – the coverage includes the risks associated with accidents of various kinds when transporting the insured cargo by all means of transport: road traffic accidents, climbing rails, landing on shoals, and so on. In addition to this group of risks, you can include: the risks of third party misconduct (theft, robbery, robbery, fraud), risks of handling, temporary storage and refrigerated risks.

- with liability for the risks of collapse – this set of risks is more related to maritime traffic and includes the risks of a ship collapse resulted in the death, damage or loss of the insured cargo.

Liability insurance is intended to protect the interests of owners and operators of vessels from claims and lawsuits from third parties who may be harmed. Ship-owner's liability insurance (P & I) includes the following types of insurance coverage:

- insurance of risks related to causing damage to the life and health of the ship's crew, passengers and other persons.

- insurance of risks associated with damage to property of third parties. Third parties include: cargo owners, owners of other ships, owners of other objects that are harmed during the operation of the insured vessel (docks, berths, cranes, etc.).

- insurance of risks related to causing harm to the environment due to pollution caused by the insured vessel.

The organization of marine risk insurance is a rather complicated process that requires special attention both in the part of the set of risks, as well as in the selection of optimal reinsurance protection.

In summary, the following key points should be noted.

The scientific novelty of this work is to analyse the scientific discussion on the definition of the essence of marine insurance and the authors' additions to this category.

It was established that the main sources of law regulating relations in the field of maritime insurance in Ukraine are the Civil Code of Ukraine, the Law of Ukraine «On Insurance», as well as the Merchant Shipping Code of Ukraine, which was adopted and intended to regulate the emerging relations in the field of merchant shipping, including the insurance relations in this area.

The mechanism of organization and regulation of marine insurance is proposed

to be presented as a set of forms and tools that ensure the functioning and regulation of insurance activities in the field of protection of interests of shipowners and other stakeholders.

Consequently, the financial and legal regulation of marine insurance is an important and compulsory element of the effective development of the sea of the economic complex of Ukraine and, in general, its national security.

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## **EVALUATION SYSTEM WITHIN ECONOMIC SECURITY STUDIES OF THE MICROLEVEL: THE STRUCTURE AND THE CORRELATION BETWEEN ITS ELEMENTS**

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Evaluation is required for the economic security studies of the microlevel for getting quantitative estimates of the security objects. These quantitative estimates (or their quantitative description at least) are usually treated as most trustworthy as they are perceived and interpreted in the least subjective way. Quantitative estimates (or quantitative description) also serve as the basis for further analysis and managerial decision-making regarding economic security maintenance or the related strengthening measures at the level of the enterprise.

Evaluation of objects at the microlevel of economic security is always a complex and multifaceted process. The most necessary element in this process is organization of evaluation activities as an integral part of economic security provision at the enterprise level.

Evaluation at the microlevel of economic security is basically the process of revealing the actual state of the objects under evaluation, at a specific point of time. The key aim of this process is detecting the influence of negative changes that took place within the evaluated objects due to implementation of threats. Generally speaking, such influences usually mean obvious lowering of the evaluation ranks.

Objects' evaluation at the microlevel of economic security means judgements about their current state. This judgement is usually formed on the basis of interpretations of the selected quantitative and also quasi-quantitative indicators. Such judgements can be later specified according to the results of the additional calculations, if needed.

Evaluation at the microlevel of economic security is never the final aim, it has zero meaning and role, if taken alone and out of the context. In other words, evaluation of the economic security state for the sake of evaluation does not make

any sense, in the absolute majority of cases it serves as the precondition for:

- making decisions on strengthening the economic security of the enterprise;
- selecting the means and the order of actions while strengthening the economic security of the enterprise;
- making the decision on transformation of the economic security system for the enterprise;
- making decisions concerning the reorganization of activities in one or several structural units of the enterprise due to certain economic security purposes;
- making decision on strengthening/reorganizing the resource provision activities.

This list of decision-making activities can be surely extended much further.

Evaluation at the microlevel of economic security studies may have various functionalities and purposes, same applies to the object of this evaluation. The latter usually predetermines the choice of approaches and means in evaluation, its procedures and also the sphere of further use of the evaluation results. In each specific case the purpose of the evaluation needs to be specified to the maximum since this purpose serves as the starting point in the evaluation process overall. Specification of the functional purpose of the evaluation allows making it better targeted and thus, indirectly, increases the value of the future evaluation results.

Table 1 lists the key specific features of evaluation at the microlevel of economic security.

*Table 1*

**Key specific features of evaluation at the microlevel of economic security**

<b>Specific features</b>	<b>Their manifestations</b>
The nature of evaluation in time	Discrete, periodical
The number of objects to be evaluated	A combination of several objects
The subject of evaluation	Varies
The field of evaluation results' use	Wide
The influence of evaluation results on the evaluated object	Decisive, directly related to security management. If the enterprise does not have any security management, the influence will still be quite strong
Dissemination of the evaluation results	Limited

For full integration and well-ordered presentation of all elements in evaluation of economic security we would also need a specific evaluation system.

The basis of the evaluation system at the microlevel of economic security is made of the combination of rules and principles related to organization of evaluation. These rules and principles serve to make all further approaches, methods and algorithms efficient and result-oriented.

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The basis of the evaluation system at the microlevel of economic security is made of the combination of rules and principles related to organization of evaluation. These rules and principles serve to make all further approaches, methods and algorithms efficient and result-oriented.

Evaluation system at the microlevel of economic security can thus be presented as a combination of interrelated objects and subjects of evaluation that are together involved in evaluation operations as applied to various objects potentially requiring protection from threats. All evaluation operations stem from the rules and principles of evaluation and interpretation of the evaluation results.

Table 2 presents the composition of the evaluation system in economic security of the microlevel.

*Table 2*

**Elements of the evaluation system and their contents**

<b>Element</b>	<b>Elements' contents</b>
Subject of evaluation	Subject performing the evaluation (specialists in economic security of enterprises, they can be in-house and/or invited)
Object of evaluation	Economic security of the enterprise; the system of enterprise's economic security; results of the actions taken to provide/maintain/strengthen economic security; overall results of the structural unit responsible for economic security of the enterprise
Evaluation	The process of revealing the actual state of the subject under evaluation at a specific point of time so that to determine the influence of negative changes on the enterprise activity in general
Evaluation rank	The degree to which negative changes that have taken place at the enterprise have really influenced this enterprise in the course of threats' implementation
Interpretation of evaluation results	Explanation of quantitative and also quasi-quantitative evaluation results, their "translation" from quantitative measurements into qualitative ones (those of descriptive nature)

Evaluation system at the microlevel of economic security can be considered from several different standpoints – operational, algorithmic and logical (Sutuzhko, n.d.; Sutuzhko, 2014).

When it comes to the operational aspect of the evaluation system we need to:

- select one or several objects for evaluation;
- determine the time frame of the evaluation (which can be retrospective, current or forecast);
- select the key approach to the evaluation process and ground our choice;
- decide on the future role and purpose of the evaluation results in relation to economic security of the enterprise.

When it comes to the algorithmic aspect of the evaluation system we, first of all, need to determine the order of actions in the course of evaluation in full accordance to the selected approach. Also, we need to define how to normalize the indicators,

their convolution if the functional approach is applicable and so on.

The order of actions applicable to the logical aspect of the evaluation system functioning is as follows:

- first, we need to define the comparison base;
- then we develop the rules for identification and interpretation of the obtained evaluation results (as applied to the enterprise overall or to the selected object within it);
- then the axiomatic base for comparison is formed as the set of rules and principles, requirements to evaluation criteria, requirements to conditions under which the evaluation would be carried out. Truly qualitative evaluation results would be obtained only provided all these requirements are strictly followed.

The operational aspect of the evaluation system serves as the structural basis for its algorithmic and logical aspects, it also provides all guidelines and future vectors of the evaluation system functioning.

The central objects of evaluation when it comes to economic security of enterprises are: the state of enterprise's economic security overall; the available system of economic security provision; the actions taken by the enterprise to ensure own economic security; resulting quality and efficiency of the actions taken by the structural unit responsible for economic security of the enterprise.

Economic security of the enterprise is the most common object of such evaluations. At the same time, similar to enterprise competitiveness and managerial efficiency, economic security of an enterprise is always the result of numerous managed and unmanaged processes inside the enterprise and around it. These processes can be permanent, periodical, they may also have random nature, finally, they can be internal and external. Due to such complexity, measuring economic security as a certain resulting state would always require more than just one or several indicators. If we try to limit ourselves to one or just a few indicators only, the result of such measurement would be very much abstract and also partially distorted from the very beginning. Still, managers of enterprises trust mostly qualitative indicators and prefer to pick just a few of them and analyze. At this, we need to keep in mind that quantitative estimates of processes, phenomena and influences would be helpful only when they are really reflecting the objective reality to the full extent.

Quantitative measurements are also much easier, thus, there is always a temptation to measure quantitatively all aspects and all activities within the enterprise, including those directly related to economic security. However, in the case of economic security specifically quantitative measurement assumes special procedures which guarantee that quantitative estimates would be obtained in a correct way and would be later interpreted accordingly.

All evaluation procedures together form the methodology of economic security evaluation.

To the most widely used rules of interpreting the economic security indicators

belong the following:

- comparison with a certain “gold standard” (also known as referencing);
- comparison with the similar indicators obtained in a previous period (provided the conditions, rules and procedures of measurement remained the same).

The system of enterprise economic security becomes the object of evaluation not that frequently.

When the whole system of economic security at an enterprise is being evaluated, this usually means there is a necessity to define the key parameters of this system (for example, its size, complexity, structure, its key properties, core functions and the modes of functioning). In other words, evaluation uses certain visualized imaginations about the system of economic security and its general scheme. As such, the system of enterprise’s economic security is abstract and descriptive in its nature.

Evaluation of the economic security system at an enterprise is usually needed so that to assess the quality and the integrity of the built-in system, its suitability for this particular enterprise and to the external environment around this enterprise. Such evaluation would be especially helpful in the course of decision-making on the transformations of the enterprise system overall and/or economic security system in particular.

Just as any other abstract system, the system of enterprise’s economic security must be objectivised. In other words, it must have a solid applied aspect. Imaginations about the system of economic security must be somehow materialized directly into the system of enterprise management, the key form of this materialization would be economic security provision. The latter must be at all times coordinated by a certain structural unit inside the enterprise, responsible for economic security implementation.

Economic security provision became a separate, independent type of managerial activity relatively recently. Today it goes in parallel with production, marketing, financial and other activities of an enterprise, Ilyashenko (2016) became one of the first studies to demonstrate this.

Just as any other type of activity at an enterprise, security provision is supposed to lead to certain results. Thus, evaluation of economic security provision may have two objects: security provision as an ongoing process (evaluated in dynamics), and also the results of economic security provision – the state of economic security at a particular point of time (static aspect of economic security at an enterprise).

Evaluation of economic security provision at an enterprise must be based on the general principles of evaluation which are equally applicable to any type of activity taking place at an enterprise.

Thus, proper selection of the evaluation objects, in their specific context, allows obtaining the economic security estimates as applied to a particular enterprise.

Evaluating some objects of economic security may have a purely theoretical value, while evaluation of other objects would have a strictly applied value for the

enterprise.

Evaluations of objects may be later used in a variety of ways:

- in the course of follow-up security provision;
- while forecasting the development of threats related directly to the objects in question;
- when summarizing on the activities of the structural unit responsible for economic security of the enterprise overall;
- when evaluating efficiency, productivity and enterprise performance in general;
- in the course of both operational and strategic decision-making.

Evaluation of any object, in simple terms, means forming a certain opinion on it.

Opinions about the objects of economic security at the microlevel are mainly judgements produced by the subjects of evaluation concerning the degree of various influences on the evaluated object due to negative changes in the course of threats' implementation.

Thus, when creating the evaluation system at the microlevel of economic security, the following questions must be asked:

- who is supposed to be (or can be) the subject evaluating objects within the system under evaluation;
- how capable is this particular subject to form judgements concerning the economic security of the enterprise or economic security of other objects.

At first glance, these questions seem to be rather simple. However, as it was already well demonstrated in (Rossoshanskaya, 2013a, 2013b; Rossoshanska, 2015), this first impression is wrong.

The choice of evaluation subjects depends primarily upon the objects under evaluation (see Table 3).

As applied to one and the same object, requirements to qualifications and competences of the evaluation subjects can be very different. But the key minimal requirements is nearly always qualification.

Sufficient qualification level of the evaluation subject usually means at least basic level of knowledge and skills in the related field, some experience in this field and also availability of skills necessary for evaluation of objects (in our case the objects are economic security of the enterprise; the system of economic security at an enterprise; results of the security-provision activities; efficiency and overall performance of the structural unit responsible for economic security of the whole enterprise).

These days “the subject of evaluation” does not necessarily have to be human. Today we already have widely available the most advanced DSS systems, software based on data mining, BIT packages, other automated expert systems the functioning of which is based on the algorithms processing information and raw data. Such sophisticated systems are already quite capable of forming judgements on the basis of the processed information.

### The subjects of evaluation system at the microlevel of economic security

Subjects	Objects
Economic security of the enterprise	Specialists of the structural unit responsible for the economic security of the enterprise. If necessary, invited specialists in economic security
The system of economic security of the enterprise	Specialists of the structural unit responsible for the economic security of the enterprise.
Results of the activities taken for economic security provision	Top management of the enterprise. In case of joint stock companies - members of the advisory/ steering board.
Efficiency and overall performance of the structural unit responsible for economic security of the whole enterprise	Top management of the same enterprise

In case such automated solutions are applied, the human is basically “left behind” the evaluation process, thus, the subject of evaluation becomes the software in use. However, this does not mean that people are fully excluded from the evaluation process: all quantitative (or quasi-quantitative) evaluations of the economic security objects would anyway later require a certain interpretation and further development of recommendations concerning the changes to be implemented to improve the level of economic security.

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# **INFLUENCE OF INNOVATIVE ACTIVITY ON FOREIGN ECONOMIC SECURITY IN THE CONTEXT OF THE MODERN PROCESSES OF GLOBALIZATION**

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Functioning of the world system of co-operation and specialized production with the purpose to create global products and services, formation of global information systems, the growing influence of international organizations and multinational corporations in the world market predetermined major globalization trends at the beginning of the 21st century. Transition of the world economy from the industrial to the post-industrial stage of development is a progressive achievement of globalization viewed as a creation of the information society based on novel technologies and knowledge expressed in innovations.

Among main pre-requisites of globalization, such as organizational, economic, political, informative, social and cultural ones, it is scientific, engineering and technological processes that are prime movers for higher competitiveness of countries in the world market.

Vladimirova I.G. [1] considers the following to be production, scientific, engineering and technological pre-requisites:

- sharp growth of production scales;
- transition to a new technological method of production based on high, knowledge-intensive technologies;
- rapid expansion of new technologies that help remove barriers to financial capitals, goods and services;
- qualitatively new generation of means of transport and communication.

However, the above list would be incomplete without the mobility dynamics of high-skilled specialists in innovations, scientific research, information technologies, etc.

The work [2] says that the acceleration and development of globalization are also substantially influenced by:

- increased competition as a result of larger production scales and expansion of domestic markets by producers;
- consolidation of world community into a single integrated system as a result of certain political situations through the 20th century;
- latest advances in science and technology, which contributed to creation of world economic infrastructure, including transport and communication infrastructure, and broad information system.

The pre-requisites of globalization described in works of modern researchers have common determinants of influence on production and economy of society on the whole, this finding expression in consequences of efficient activities of leading scientific and technical gains. This is determined, first and foremost, by the fact that under current globalization the classic factors of production are pushed to the background, yielding to certain combination of intellectual and information resources, knowledge, technologies, etc. integrated into the world economic system. Due to these gains, minimization of economic risks, higher rate of international movement of production factors, lower costs related to movement of goods and services in the world market, etc. become feasible.

In this context, expansion and standardization of world information space, activation of innovative sphere of developing countries, upgrading of administrative culture TNC, intense use of foreign credits and investment resources will come forward as main features of globalization. This will further promote the integration of economic and information development of national economies on the base of development and introduction of high technologies, contribute to alliance of interests of both markets and domestic producers by means of the modern management systems, and encourage investments at intergovernmental level.

In addition, the globalization stimulates competition thus forming a positive dynamics of technology transfers, is instrumental in disseminating the best experience in science and engineering, and induces new managerial decisions, which main principle is minimization of risks and costs.

The essence of basic descriptions of the innovation as a main factor of global competition, given by M. Porter [3], is in improvement of old methods to attain competitiveness or in use of new ones, in particular in new production processes, marketing and managerial decisions based on the system of certain knowledge and skills. The role of information in strengthening the competitive positions is also of certain importance, which guarantees leadership in the world market and at the same time acts as a pre-requisite for search of new innovative ideas. Simultaneously, a growing competition makes enterprises to activate their innovative efforts and forces them to search new foreign partners, which, in its turn, is a sign of globalization.

Advantages of globalization, alongside with cultural, political and social ones, are largely of economic nature and have positive effects on the development of the country's national economy, in particular, effects from production rationalization, based on continuous introduction of innovations and expansion of leading technologies.

However, alongside with these positive manifestations of globalization there exist negative consequences, the lion's share of which is most dangerous for developing countries because of their considerable dependence on both the world market business environment and countries that lead in innovations. Resulted from the misbalance caused by advanced mobility of goods and services, capitals, labor and technologies, is the uneven distribution of profits between states. Considerable

volumes of international trade and investment are the share of countries like the USA, Japan and those of European Union, where multinational corporations set „rules of game” in the world market and give rise to financial instability in the domestic markets of less developed states. Moreover, the large scale of technologies combined with their poorly-controlled application lead to ecological and technological disasters and to reduction of social awareness of monopolists.

Globalization is a mega process, and no separate state has a nostrum from its negative consequences. Structural changes in the system of international economy require the countries that are world market participants to have flexibility and fast adaptability in accordance with changes in the international environment. V.Ya. Goldstein in his work “A global strategic innovative management” [4] stated that a new world infrastructure of information technologies and a management liberalization policy had become the basis for the globalization. Explicitly, the globalization is an absolute outcome of the formation of the modern society, due to a lot of reasons including scientific and technological advance in production, transport, communication and management.

There is also a polar opinion as for the origin of globalization as such. Scientific and technological advance as well as easy access to its results stem from globalization (they are caused by closer links between individuals, societies and whole nations) [5].

Thus, there is no single view on origins of globalization, however most researchers have common vision of its prime movers and consequences for the world community. On the whole it is possible to agree with the list of globalization prime movers, given in [5], which contains:

- upgrading transport technologies, in particular, increase in amount and quality of transport routes and logistic charts;
- upgrading communication technologies, Internet being in the first place;
- lowering the trade barriers (WTO, NAFTA, MFN Principle);
- cutting the barriers to investments (NT Principle);
- integration of financial markets due to their transparency and mobility of transnational capital;
- similarity in tastes of consumers in Europe, North America and Japan, determined by similarity of GDP - per capita.

The list of the above given factors should be added with the necessity of considerable financial resources to conduct Scientific and Research State Budget Design Work (SRSBDW), in the case of financial insolvency of an enterprise or even a country these could be attracted at the expense of investors from other countries. This stimulates co-operation and combination of efforts and capitals at an international level. A case in point is joint intergovernmental programs of Japan’s space exploration, Germany, Canada with the countries – spacecraft owners – Russia and the USA [2]. Besides, the development of communication technologies helped create and activate the operation of non-governmental organizations, agencies,

groups, etc., whose activities are aimed at overcoming social and ecological problems at the international scale. In particular, these subjects of international activities include such organizations as Amnesty International, Greenpeace, and Oxford Committee of the Help Starving [5].

The most wide-spread types of international scientific and technological cooperation within the frames of globalization are:

- joint scientific and research centers, institutes, laboratories to develop novel trends in applied sciences, to design improved models, to evaluate the feasibility of new scientific developments;
- joint research, exploration of mineral deposits and assessment of economic potentialities for other natural resources of oceans, seas, forests and air;
- development of the most efficient forms of industrial engineering and marketing in order to increase economic efficiency of enterprises;
- joint activities in investigation, transferring and implementation of advanced experience in labor organization and industrial engineering;
- joint training and employment of the skilled labor for most efficient international production cooperation, and in order to regulate the employment at various stages of the economic cycle at the international level [2].

Apart from the acceleration of the globalization-based economic development of countries with the use of international division of labor, closer cooperation, increasing information flows and large expanding corporative structures, one should consider the formation of a new philosophy of small innovative businesses, which ensures the efficient functioning of the modern economy. According to some data [6], at the end of the 20th century 70% of the working population was employed in this sphere in the USA, 75% – in Japan and Italy.

In many developing countries the enterprises of this sector produce up to 60% of Gross Domestic Product. Small business is absolutely needed to service scientific and production sectors. At the same time, only international integration and economic globalization with the use of innovative accomplishments are capable of transforming the small business into an efficient sector of national economy based on implementation of world standards and legal guaranties of intellectual property protection.

A perspective trend in the development of small business is rendering services in the sphere of e-commerce, creating and servicing the SRSBDW.

Relatively cheap and efficient communication systems make it possible to control considerable financial and export-import flows with the preservation of geographic dislocation and organizational structure of a company, they minimize expenses for servicing, goods and services turnover, and substitute business contacts in real space by their Internet analogues.

As for participation of small businesses in the SRSBDW, G. Goldstein noted in his work [4], that the future control over them should be focused on:

- systematic formation of flows of technological projects;

- improvement of innovation management;
- diffusion of new technologies into larger markets;
- control over knowledge with the aim of their protection and further use;
- organizational provision of a clear idea of the enterprise;
- technological strategy as an integral aspect of business strategy;
- taking advantage of globalization in economy on scales, business considerable flexibility, and connection of technological knowledge with business strategies.

Thus, the infrastructure of international innovation activities will be expanded in future and transformed into even more international and integral system that will cover the territories of many countries of the world according to the principle of the most efficient realization of their innovative potential and capital attraction.

A specific feature of economic globalization is a deeper cooperation between countries on the world arena, in proportion to the created image, which was shaped, among other things, due to situation in domestic innovative markets. Exactly for this reason, a prerequisite of Ukraine's successful access into world markets is the transition to the innovative model of development of the society.

According to the experts who assessed Ukraine's competitiveness by JAA technique of international ranking, proceeding from the state of economy, export, investments, financial sector, macroeconomic environment, human resources, science and technology, infrastructure and governmental policy, this country shows relatively high indices of quality of labor force and has quite an appropriate infrastructure. However, the economic situation in the country does not meet the "quality" of its population. Ukraine's rating by volumes of foreign investments, the state of governmental regulation and financial sector is assessed as being low. At the same time, taking into account human resources, Ukraine is capable of showing higher indices in science and technology as well as in SRSBDW sector, which is especially important to ensure long-term competitiveness [7].

Foreign economic security of Ukraine features multi-vector tendencies in its development, which can be seen in the paradox of Ukraine's leading positions in scientific potential and the lowest ones in the world's rating by the state of economy, investments and financial sector. This proves the absence of the country's integral innovative policy and, as a result, considerable giving up its competitive positions in the world market. One of the obstacles for increasing Ukraine's foreign economic security is the access barriers to the EU market, which hinder the conditionally free movement of domestic goods, capital, labor force, information and technologies.

Thus, globalization processes and foreign economic security directly relate to innovative activities as a factor of global competition. Accordingly, the necessity appears to further develop and improve theoretical and practical conditions of strategic innovative management, by the way of analysis and synthesis of existing statements of the theory of innovations in the context of reaching competitive positions in the world market. In its turn, globalization of the world economy is an activator of innovative processes, aimed at foreign economic security.

In such a way, a steady chain “globalization – innovative activities – foreign economic security” is created, which predetermines efforts of individual countries in achieving certain strategic innovative goals. Direct and indirect links established in the given case should be taken into account by the Ukrainian government while emphasizing strategic priorities of the country’s development as well as elaborating appropriate governmental and inter- governmental programs.

In the strategic aspect, innovative activities of Ukraine demand weighted integration into the world scientific and technological environment taking account of the advanced experience of the world leaders and specific national features of Ukraine’s social development, in particular, peculiarities of tax legislation, available labor market, social and ecological policy, etc.

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## **THEORETICAL ASPECT INSTITUTIONAL BASIS OF NATIONAL SECURITY OF UKRAINE**

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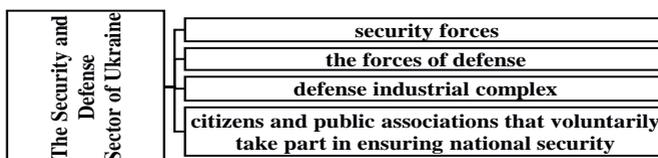
The effective management of a transformed society needs formation and implementation of a national security policy in Ukraine [1]. The presence of an effectively functioning system of government is a way to the successful implementation of the state's strategic course [2]. Reforming the public administration system (including consultative authorities) should be as close as possible to the needs and needs of people, and the main priority should be to serve the national interests of Ukraine [3]. The practice of Ukrainian politics shows that the technology of the implementation of the doctrines, strategies, concepts and programs of the state policy in the field of national security should objectively integrate all the components of the political activity of the state and be based on the theoretical basis. National security issues are being explored by many leading scientists of Ukraine. In scientific sources there is no single interpretation of the concept of «national security». Since the concept of «national security» has a complex, multicomponent and interdisciplinary character, features (Table 1). By the Law «On National Security of Ukraine» the concept «national security of Ukraine» is the protection of state sovereignty, territorial integrity, democratic constitutional order and other national interests of Ukraine from real and potential threats. The concept «national interests of Ukraine» refer to the vital interests of human, society and the state, the realization of which is ensured by the state sovereignty of Ukraine, its progressive democratic development, as well as safe living conditions and welfare of its citizens. Depending on the nature and scope of the manifestation national interests are divided into strategic and tactical, political and economic, social and environmental ones. Advocacy of the national interests of Ukraine is aimed at eliminating or minimizing territorial, demographic, economic, environmental and other losses in the life of its people and, accordingly, the growth of social development.

The Constitutional principles of national security are defined in the art.18 (Ukraine's foreign policy activities are aimed at ensuring its national interests and security by maintaining peaceful and mutually beneficial cooperation with the members of the international community in accordance with generally accepted principles and norms of international law), the art. 92 defines: the principles of the use of natural resources, the basis of social protection, the legal regime of property; legal principles and guarantees of entrepreneurship etc. The Security and Defense Sector consists four interconnected components (Fig. 1).

**The essence of the scientific category «national security»**

<b>Authors</b>	<b>The essence of the scientific category</b>		
Experts of the NISF UNESCO	the system of public administration, state and public guarantees of the stable development of the nation, the protection of its basic values and interests, sources of spiritual and material well-being from external and internal threats		
O.Goncharenko, E.Lisitsin, V.Vagapov	degree (level) protection of human interests, rights and freedoms of man, society and the state from external and internal threats or the degree of absence of threats to human rights and freedoms, the basic interests and values of society and the state.		
G.Sitnik	the protection of vital human interests , society and the state, in which their development, detection, prevention and neutralization of threats to specified interests are ensured		
L.Sergeeva	the comprehensive, targeted government actions carried out by government agencies at both the national and international levels to protect the vital interests of a person and citizen, society and the state. Government activities to ensure the sustainable development of society through the timely detection, prevention and neutralization of real and potential threats to national interests.		
O.Vlasyuk, S.PyrozHKov, O.Belov	a way (mechanism) of self-preservation of the Ukrainian people, which has reached the level of the organization in the form of an independent state		
	<b>Subject NSU</b>	<b>National values</b>	<b>National interests</b>
	Ukrainian people as a community of citizens of all nationalities living on its territory	material and spiritual objects, attitude towards which became crucial for self-awareness and existence of the people of Ukraine. This is the basis of the motivation of his self-development activity	needs of the Ukrainian society (in preserving and developing national values) which that are understood by public elite

*By sources [4, 5, 6]*



**Fig. 1. Components of the security and defense sector**

The structure of the security and defense sector includes: the Ministry of Defense of Ukraine, the Armed Forces of Ukraine, the State Special Transportation Service, the Ministry of Internal Affairs of Ukraine, the National Guard of Ukraine, the National Police of Ukraine, the State Border Guard Service of Ukraine, the State Service of Special Communications and Information Protection of Ukraine, the National Security and Defense Council of Ukraine etc. Other public authorities carry out their function of providing national security in conjunction with the

authorities provided to the security and defense sector. For example, the Ministry of Veterans Affairs of Ukraine organizes and co-ordinates works on the issues of: granting, depriving the status of a participant in hostilities and recognizing one-time cash assistance in case of death or disability of a volunteer and some other categories of persons in accordance with the Law of Ukraine «About the status of veterans of war, guarantees of their social protection» establishment of the fact of receipt by the persons of injuries or other health damages received from explosives, ammunition and military equipment on the territory of the antiterrorist operation, implementation of measures to ensure national security and defense, repression and deterrence of armed aggression of the Russian in the Donetsk and Luhansk region.

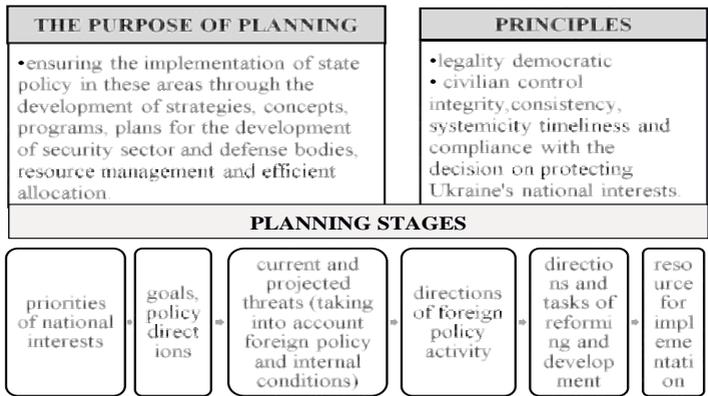


Fig. 2. The purpose, principles, types, stages of planning in the field of national security

The National Security and Defense Council of Ukraine coordinates the areas of national security and defense (the art. 107 of the Constitution and the Law «About the National Security and Defense Council of Ukraine»). The President heads the Council of National Security and Defence of Ukraine. The purpose, principles, types, stages of planning in the field of national security are shows on Fig. 2. The documents of the strategic planning are divided into documents of long-term, medium-term and short-term planning (Table 2).

The national security strategy is the main document of long-term planning, which defines the main directions of state policy in the field of national security. SNS defines: the priorities of the national interests of Ukraine to ensure national security, goals, main directions of state policy in the field of national security; current and projected threats of national security and national interests of Ukraine, taking into account the external environment and internal conditions etc. The main objectives of the SNS are: minimization of threats of state sovereignty and creation of conditions for restoration of Ukraine’s territorial integrity within the

Internationally recognized state border of Ukraine, guarantees of peaceful future of Ukraine as a sovereign and independent, democratic, social and lawful state; ensuring of human and civil rights and freedoms, a new quality of economic, social and humanitarian development, ensuring Ukraine's integration into EU and creating conditions for joining NATO. It's needs: strengthening of the Ukrainian state in order to ensure the gradual sociopolitical and socio-economic development of Ukraine; high-quality state policy aimed at effective protection of national interests in the economic, social, humanitarian and other spheres, comprehensive reorganization of the national security system and creation of an effective security sector of Ukraine etc. Current threats of national security of Ukraine are determined by the current legislation and are presented in Fig. 3.

Table 2

**The parameters of documents of strategic planning**

Type	Period	Documents
long term	> 5 years	National Security Strategy of Ukraine, Strategy of development of Ukraine, Strategy of public safety of Ukraine, Strategy of development of Ukraine, National development of the program.
mid-term	5-3	other strategic documents, programs for improving the security and defense sector, equipping them with modern weapons and military equipment, creating the necessary inventory of material and technical equipment and necessary facilities for the defense-industrial complex, implementing other measures to strengthen the defense status
short term	≤3 years	which are developed by the maintenance and development plans (activities) of the components of the security and defense sectors, the main indicators of the state defense order (for a three-year period) that are relevant to the implementation of the documents that are part of the medium-term planning

In the conditions of digitalization of the world, the threats of cyber security. Ukraine also suffered damage from cyber attacks (December 2016). State financial institutions for three days had complicated the payment of taxes and other payments to the budget, the electronic VAT administration system was blocked and the work of the customs was violated. According to expert estimates, as a result of the attack by NotPetya virus on computer systems of Ukrainian state and commercial institutions of Ukraine, as of July 7, 2017, up to 10% of private, government and corporate computers were disrupted. The national system of cyber security should first of all provide interaction on cybersecurity of state bodies, local self-government bodies, military formations, law enforcement bodies, scientific institutions, educational establishments, public associations, as well as enterprises, institutions and organizations irrespective of the form of ownership, which carry out activities in the field of electronic communications, information security and/or are the owners (administrators) of critical information infrastructure objects. The Strategy determines that the basis of the national system of cybersecurity will be: the National Security and Defense Council of Ukraine, the Ministry of Defense

of Ukraine, the General Staff of the Armed Forces of Ukraine, the State Service for Special Communications and Information Protection of Ukraine, the Security Service of Ukraine, the National Police of Ukraine, National Bank of Ukraine, intelligence agencies.

<b>ACTUAL THREATS OF THE NATIONAL SECURITY OF UKRAINE</b>	Russia's aggressive actions aimed at exhaustion of the Ukrainian economy and undermining sociopolitical stability in order to destroy the state of Ukraine and seize its territory.
	Inefficiency of the system of ensuring national security and defense of Ukraine
	Corruption and ineffective system of public administration
	Economic crisis, depletion of financial resources of the state, decrease of living standards of the population
	Threats to energy security
	Threats to information security
	Threats to cyber security and security of information resources
	Threats to critical infrastructure security:
	Threats to environmental safety

Fig. 3. Actual threats to the national security of Ukraine

The Law of Ukraine «On the Basic Principles of Cybersecurity of Ukraine», which will come into force in May 2018, significantly expands the list of subjects of providing cyber security. Thus, the Law (Art. 5) stipulates that the President of Ukraine shall ensure coordination in the field of cybersecurity through the head of the National Security and Defense Council of Ukraine; the Cabinet of Ministers of Ukraine is responsible for the formation and implementation of state policy in the field of cybersecurity and control and audit for its implementation, etc. On opinion the experts, the organizational and legal mechanisms for the development of the national system of cyber security are imperfect; first of all, in relation to their compliance with the list of modern threats, European approaches, as well as their incompleteness in composition, lack of clarity and lack of specificity regarding the powers of the subjects of this system. That's why it's needs expand the range of key actors with clarification of their powers, application of public-private and public-public partnerships [7].

Inclusion of the main subjects of the national cyber security system of the General Prosecutor's Office of Ukraine, the Ministry of Justice and the Ministry of Internal Policy with clarification of their powers in this area. Achieving the economic criteria necessary for Ukraine to become a member of the EU requires the creation of conditions for the approximation of social standards to the level of the states of Central and Eastern Europe - the EU members. The key to a new quality of economic growth is ensuring economic security through: creating a favorable

business climate and conditions for accelerated innovation development. Growth of economies on a post-industrial basis, their digitization are conditioned by the intellectualization of the main factors of production and need a powerful innovative potential. «Innovative Potential» is an integral part of the economic potential, the aggregate of resources, capabilities, reserves, stocks, results of scientific research, which in a favorable institutional environment are able to participate in the process of social production in order to develop a product capable of meeting the social needs of a certain period of time and in a certain place, as well as to promote the growth of a qualitative level of economic development by changing the structure of social production in the direction of increasing the share of high-tech production in the country's GDP.

The main source of innovation potential is a human. The educational institutions play a key role in shaping innovation capital. The state creates an institutional environment for the development of innovation potential, the market institute provides public selection and commercialization of innovations, turning them into a factor of socio-economic development. The institutional environment encompasses all major economic, legal, social and other spheres. Rules, norms, organizations, which, through formal and informal constraints, influence the development of the economic system of society by regulating relations between economic entities. Consequently, the research shows that scientific category «national security» is complex, multicomponent and has an interdisciplinary character. The authors emphasize the protection of the vital interests of man and the community, the society and the state, as well as their implementation, which in turn maintains the state sovereignty of Ukraine, its progressive democratic development, as well as safe living conditions and welfare of its citizens. The legal mechanism is the development and implementation of strategic documents. Established legal institutions for the formation of institutions that develop and implement strategic documents of national security. The National Security Strategy of Ukraine (the main document of long-term planning, which defines the main directions of the state policy in national security) is the basis for the preparation of all other documents regarding planning in the field of national security and defense. Strategy is elaborated on the instructions of the President of Ukraine within six months after his accession to the post and is approved by the decision of the national security and defense of Ukraine, which approved by the President's decree.

The need is to update long-term strategic documents related to the legislation of Ukraine with the involvement of representatives of civil society. The development of e-governance will help create effective and accountable institutions, improve the quality and efficiency of public services, accelerate their provision in time. It is necessary to include in educational programs of national security disciplines, to organize scientific work with students of higher educational institutions on this topic, to conduct seminars and scientific conferences, which will discuss topical issues of national security. It is also necessary to organize lecture courses aimed

at increasing the qualification of civil servants and representatives of local self-government bodies on national security issues.

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## **COMPETITIVENESS OF THE AGRICULTURAL SECTOR IS THE KEY FACTOR OF PROVIDING FOOD SECURITY OF THE NATIONAL ECONOMY**

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Food problem was accompanied humanity from the first days of its existence. Transition to the Market economy in general solved the problem of physical availability of Ukrainians to food products. However, notwithstanding to stably high level of food market saturation with products of main product groups, determines the tendency of falling consumption on the calculation per capita.

Providing necessary level of food security is possible under the condition of effective state regulation of the agrarian sector. It implies: elimination of crisis in the agrarian sector, increasing effectiveness of its functioning, claiming Ukraine as a country with export-oriented agricultural system.

The basis for organizing, planning and implementing the practical actions of the entire food security system is the analysis of threats, assessment of the nature of actual and potential internal and external hazards, crisis situations and other adverse factors [7]. Therefore, an initial stage in determining the level of food security should be the analysis of food security threats, since the existing system of real and potential threats is very volatile [8]. Identification of real or potential threats should be the basis for defining priorities in the country's food security system, which should also not be stable, but should be reviewed and varied depending on a particular situation.

According to many researchers, the main indicators characterizing the internal threats to food security and the deterioration of the food situation in the country are: exhaustion of land resources; underdeveloped sectors of processing and storage of agricultural products; reduction of sown area and livestock; unfavorable in some years combination of natural factors (drought, flood, etc.) that affect the reduction of crop yields or lead to large losses; violation of the conditions of reproduction in the agricultural sector due to the moral and physical depreciation of the main means of production; migration of the economically active part of the population to large cities, the deepening and property stratification of society, which dramatically reduced the incomes of the least protected population [1, 2].

The food market of any country is exposed not only by internal but also external threats. The external threat of food security of the country arises as a result of increased dependence on imports of major types of food in the country as a whole, its individual regions, cities, industrial centers from exporting countries. The external threats of food security, from the standpoint of economists, include the following indicators: the state of world prices for agricultural raw materials (price war); measures of a political nature (embargo, humanitarian aid, etc.); trade discrimination; information warfare; tariff (non-tariff) restrictions; antidumping [2, 3].

In our opinion, besides the macro level, food security threats should also be considered at the level of agricultural enterprises (Fig. 1.). The agrarian sector is a socio-economic basis for the development of rural areas; ensures the development of technologically related branches of the national economy. The agrarian sector of Ukraine's economy has high potential, the strengthening of which is possible through the improvement of mechanisms for the distribution and use of resources in the field and the enhancement of inter-sectoral links, which will enable a breakthrough in the foreign market through the implementation of a unique state strategy of participation in global integration processes.

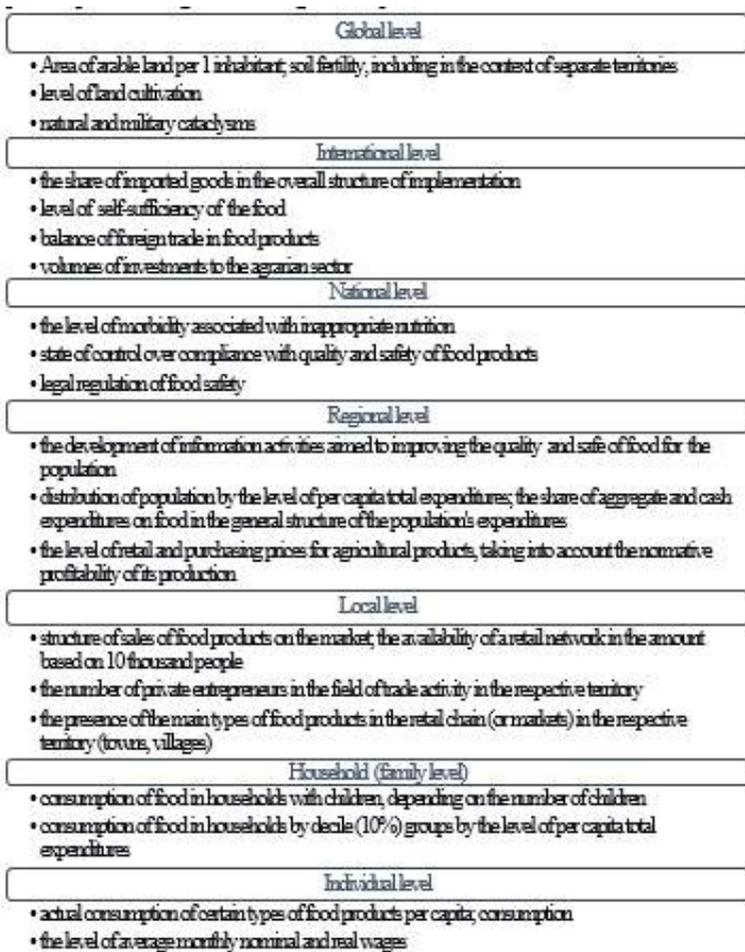


Fig. 1. Food Security Threats

Consideration of this aspect becomes important, as the exacerbation of food and environmental problems in the world will intensify the importance of the concept of multifunctional agrarian sector, which will be the basis of agrarian reforms at the level of national economies and will become the basis for modernizing the system of international trade in agricultural products [4].

Food security of the country, as an integral part of national security, occupies one of the special places among its various types, since food is considered as the basic indicator of human life, in the absence of which inevitably comes hunger and death. The level and quality of food of the population characterize the degree of its socio-economic development and 70% determine the health and life expectancy of

a person. This problem has become particularly important in the last decade [5, p. 43-50].

It should be noted that in today's realities the provision of high-quality food is the main requirement for the food manufacturers. Strengthening and innovative development of enterprises of the agrarian sector should become the main factor in the competitiveness of domestic products. The problem of safety and goodness of food is of particular relevance in connection with the need to increase control over the quality of imported goods. Reducing the amount of produced products, destroying diverse links between enterprises of industrial and agricultural areas, eliminating raw material bases and breaking down farms and production facilities have caused a significant reduction in food production. The capacity of a large number of industrial enterprises is used no more than 30-50%. In the most difficult situation occurred the branches associated with the production and processing of meat, milk, fruits, sugar, and others. However, in addition to reducing the volumes of food production, their quality and nutritional value are getting worse.

The agrarian sector of Ukraine's economy is a system-forming component of the national economy; forms the basis for the preservation of sovereignty and statehood, and national (food) security. The impact of the agrarian sector on the formation of the competitive position of the national economy on the world market is significant, taking into account difficult economic and political situation in Ukraine.

In today's economic conditions of integration Ukraine with external markets increasing the competitiveness of domestic production, which produces food products and other consumer goods is particularly important. An important factor ensuring the food security is the formation of state reserve funds for agricultural raw materials and food, in amounts that allow maintaining stable food supplying at the normative level of special consumers, scarce in terms of food production and guaranteeing the fulfillment of export supplies.

Significantly deteriorating its quality and nutritional value. Fat content of milk and milk products become lower, the quality of meat products deteriorated, their assortment significantly decreased. The most negative consequence of all these problems is that producing of food for children substantially reduced, as well as diet and safe products for citizens who live in regions with difficult environmental conditions and for people which are located in various medical institutions. Ukrainian market sells dozens of names of foreign food products containing components that are prohibited for use in production and sales in developed European countries. On strengthening of the position of foreign representatives in the domestic food market, Ukraine is turning into a region of sale of low-quality products with an overdue shelf-life. Inadequate production carries the appearance of various allergic diseases, irritation, rash, exacerbation of oncological diseases, etc. To date, the formation of the agrarian sector of the economy which should be characterized by stable development and an increasing level of production of goods for food security has not been completed. A major problem in the direction of the

restoration of production in the agricultural sector is, first of all, general economic policy, which is aimed at stopping the financial support of the industry. The impact of crisis manifestations on the agro-industrial sector, along with the escalation of the food problem, intensified against the backdrop of falling competitiveness and economic vulnerability of rural producers in the domestic food market.

Solution of this problem is possible only by increasing the efficiency of functioning of all branches of agricultural production on an innovative basis.

The current position of the Ukrainian economy determines the special urgency of the state's activities in ensuring food security. Also, the purposeful activity of our country in this sphere is necessary. This – according to S.V. Fymyar [12] - due to the fact that Ukraine practically experienced a difficult historical period and entered to that period when the mechanism of financial and economic regulation of commodity flows began to work, a new element of society was formed - owners. The problem of food security for Ukraine is fundamental today.

Formation of a socially oriented economy in Ukraine requires solving strategic task of creating a powerful agrarian sector to meet the needs of the population in food products at the level of economically developed countries, which is an indicator of achieving an adequate level of food security [11].

At present, solving the issue of business competitiveness for the Ukrainian economy is top priority and extremely important. Particular attention is needed to the problem of managing the competitiveness of the business.

The task of increasing the competitiveness of domestic agricultural production is to create conditions for the growth of the general level of productivity of the sector on the basis of sustainability, with the harmonious combination of different branches of agriculture and types of farms (large, medium and small), where each of them occupies the most characteristic market niche [10]. At the same time, it should be stressed that in the strategic perspective, the agrarian sector should be formed as integral system that organically combines different forms of organization and sizes of agricultural producers and functions on the basis of the consistency of interests of business entities [9].

The toolkit for solving the problem of the competitiveness managing depends on a number of factors, so we consider it appropriate to refer to the basic tools: financial and strategic management, reengineering, risk and profitability assessment; monitoring of the competitive environment; consumer diagnostics and others.

Highly intensive and highly effective functioning of mentioned above, determines the level of production of agrarian products and raw materials, and hence the consumption of basic food products, which determines the healthy physical and mental development of the population.

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# PECULIARITIES OF THE LAND RELATIONS SYSTEM IN UKRAINE ON THE BASIS OF SUSTAINABLE DEVELOPMENT

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Conducting land reform in Ukraine through the privatization of land and the establishment of private land ownership institute requires a modern analysis and definition of the directions of further development of land relations, especially in the agrarian sector.

Transformation processes in the land sphere have been carried out in Ukraine not by the way of reformation, and therefore they require urgent legal regulation and reformation, especially on agricultural lands.

It is necessary to have civilized attitude to the land as the main wealth, the main spatial, economic and natural resource of Ukraine, which is a guarantee of national food security and able to provide food security for 500 million inhabitants of the planet in general. This determines the study of the development of effective land relations in Ukraine not as a national but a worldwide problem.

According to The Strategy for Land Development and Sustainable Land Use of Ukraine until 2030, to determine the goals and mechanisms of sustainable development of rural areas and land use system of the country it is necessary to develop and implement land legal, organizational and economic mechanisms for the establishment of the land system of Ukraine for the following units: 1) natural and ecological; 2) administrative and territorial; 3) according to forms and economic relations of land ownership; 4) economic (Fig. 1).

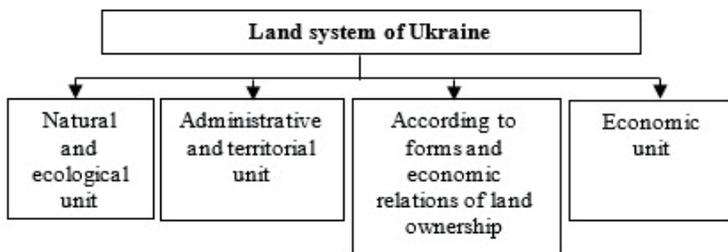


Fig. 1. Land system of Ukraine

*Source: [5]*

In the works of Ukrainian scholars, there is a conclusion about the “institutional trap” in the development of land relations and land use systems in agriculture in connection with the sharing of agricultural land [10]. In particular, economic and

ecological relations of land ownership and the land use system of agricultural enterprises are developing chaotic, without scientific forecasting and planning.

According to the Agro Invest project research by the USAID, a third of the land shares are owners of 6.9 million who have never seen their land. Almost 9% of agricultural land is not cultivated or used. An assessment of the existing institutional support for implementing land reform measures indicates its unsatisfactory state [11].

A moratorium on the sale of agricultural land and free economic circulation of land plots hinders the development of land relations. At the same time, the complexity and socio-economic significance of the land reform for Ukraine give grounds for determining it as the final stage in the creation of modern market of agricultural land on the basis of clear and transparent state system of registration of rights to land and the provision of state guarantees for the protection of private property [2].

Attempts to launch the mechanism of the land market were made earlier. But the main obstacle to reforming modern land relations was public opinion. First of all, there are people's fears that the most valuable wealth of Ukraine will be bought by speculators, foreigners and powerful commercial structures.

Draft laws on the economic circulation of land, at first glance, protected the population of Ukraine from such problems. The projects noted that foreigners and legal entities, even domestic ones, would not have the right to purchase agricultural land. This right is granted only to individuals – citizens of Ukraine. A similar model exists today in many countries. The greatest value for us is the experience of developing land relations in those of them, where the land market has been working for a long time and developing successfully. But no less interesting is the issue of the formation of the land market and its assessment in countries with a developed and transformational economy [6].

The main task of preservation and restoration of natural resources in the USA for all participants of this process is to provide a much better level of use of soils, water, air and biodiversity. The realization of this task is based on the use of two main approaches: market and partner. The application of the market approach consists of implementation of market principles and mechanisms for the implementation of protection, which includes a well-defined system of property rights and the use of market-oriented instruments, including the provision of state compensation, privileges, payments and loans to land owners to minimize negative externalities in the natural environment. The principle of partnership determines the broad involvement of the main participants in this process in protecting land, namely, farmers, landowners and land users; governmental agencies in the field of environmental protection; special local formations, so-called Soil and Natural Resources Conservation Areas, their associations, as well as colleges, universities, public organizations, land trusts, etc. [1]. In the US, 40% of the land stock belongs to the government, in this part there is no arable land. The bulk of the US Government's land fund is military polygons, parks and free land. In the United

States, foreigners are allowed to own land privately. But from the entire US land fund, 1% of agricultural land belongs to foreigners.

The experience of the European Union states that private land ownership has a protective nature regarding the use of land, since private property is long-term, and private landowners have legal responsibility for its use. The law allows the owner to sell, buy, give or bequeath land to other people.

However, modern private land ownership in developed countries of the world is significantly different from that which was under capitalism, when it was established in absolute form and did not provide state interference with the rights of landowners and land users. Gradually, ownership became the object of more significant state regulation, which limited the rights of owners and users in the interests of society.

In Western Europe, in the United States, and in China, the general trend towards socialization of land relations and land tenure is manifested. Citizens receive the right to use life and inherit land plots. Countries such as Armenia, Georgia, Moldova massively abandoned the creation of large agricultural enterprises and transferred the land to the peasants. There is no private land ownership in Azerbaijan, Kyrgyzstan, Tajikistan, and Uzbekistan. The state transferred the land to permanent possession, and the enterprises lease land for families, groups of workers [4, 5, 8].

Kazakhstan's land masses are state-owned. In this country privately owned land is transferred to private farms, gardening, and cottage industry.

At the nationwide referendum in Belarus, the population opposed private ownership of land. Under the constitution of Belarus, agricultural lands, lakes, rivers, and forests belong to the people. The state provides them for use by citizens, enterprises that are responsible for the conservation and rational use of all natural resources. Agricultural enterprises are tenants or long-term land users. Private property is allowed only on private plots up to 3 hectares [10].

Countries with a strong state influence on the land market (the USA, Japan, Canada, EU countries, etc.) make significant progress in land use development compared to those that weakened the state influence in land relations regulation during the reforms (Bulgaria, Romania, the Transcaucasian republics, Moldova, etc.).

The bulk of the most valuable land (37.6% of the total area) is concentrated in the agricultural land of Ukraine [9]. The main base of agriculture is located on chernozems and soils of chernozem type (60% of the arable land area). In general, Ukraine concentrates more than 8% of the world's chernozem soils [11]. However, excessive cultivation, which is still the highest among the developed countries of the world, as well as the extensive nature of the use led to their degradation, violation of soil formation processes, minimized the regulatory biochemical role in agro landscapes.

It is known that productivity of land use is determined not so much by the level of security of every inhabitant of the land, in particular arable land, but by the efficiency of its use in agriculture. Thus, in the United States, crops grown for food production per inhabitant are occupied by 0.6 hectares, 0.4 hectares of technical

crops, 0.8 hectares for housing and recreation. The area of arable land per capita in Germany and Great Britain is only 0.12 hectares; in the Netherlands and Belgium – 0.14 hectares. However, these countries not only fully provide themselves with food, but also export it in significant volumes [11].

Taking into account foreign experience, it is expedient to develop and implement an integrated approach to the use of land resources, which would ensure acceleration of scientific and technological progress in the agrarian sector in Ukraine. It is necessary to form an effective system of land use, having adopted not only new Land Code, but also Agrarian Code.

An overview of land relations in other states shows that only its land relations are inherent for each of them. They express the system of social and state structure and, accordingly, the political organization of their regulation.

International experience shows that the state's influence on the development of market land relations is growing, which manifests itself in the application of a number of economic instruments that promote concentration of land, the formation of sustainable land tenure and land use. Therefore, the development of land legal relations in the agrarian sphere should determine not only the main element of the institution and the object of legal relations – land, having written out their special rightfulness and ensuring their rational and highly effective use by adopting new institutional norms on land management and land protection, but also taking into account the public interests of peasants and the social consequences of any transformation. After all, the main purpose of the state is to ensure national security, raising the standard of living and welfare of the people.

The formation of a fully-fledged economic circulation of land in Ukraine, especially for agricultural purposes, should be comprehensive and multilateral in both legal and socio-economic and political spectrum. And since Ukraine, as an open country, is integrated strongly into global economic processes, the formation of a mechanism of sustainable world food supply without Ukraine is impossible.

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## **PART 2. CHALLENGES AND THREATS TO ECONOMIC SECURITY UNDER THE TRANSFORMATION OF NATIONAL AND TRANSNATIONAL RELATIONS**

### **FACTORS OF FORMING THE ECONOMIC SECURITY OF ENTERPRISE**

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Statement of the problem in the general aspect and its relation to important scientific and practical tasks. Enterprise as an open social-economic system determines and performs its mission, achieves goals only interacting and mutually depending on the external environment. From the latter it receives necessary resources for proper functioning, gains its reputation, implements its intentions in life, sells products, gains profit for expanded reproduction.

The analysis of the latest publications, in which solving of the problem was initiated. The investigations of theoretical and practical aspects of ensuring the security of economic subjects' development were reflected in the papers by Ye.A. Oleinikov, S.N. Illiashenko, T.B. Kusenko, B.V. Gubskiy, A.V. Kiriienko, M.M. Yeroshenko, Grunin, Yu. Lysenko, S. Mishchenko, Z. Stakhoviak, V.V. Belokurov, R. Datskiy, H.V. Kosachenko, O.M. Liashenko, D. Kovaliov, T. Sukhorukov, I.L. Pletnikov, O.V. Razdin, and others. Nevertheless, the problems of methodical providing the management of enterprises' economic security, financial-economic activity of enterprises and organizations require scientific research. Such research would create the basis of developing and making managerial decisions aimed at protecting the economic interests of enterprises and timely preventing economic threats.

Aims of the article. The aim of the article is to generalize and deepen theoretical and practical foundations of forming the economic security of enterprise, determine the main factors, influencing it.

The statement of the main research material with complete substantiation of the obtained scientific results. The economic security of enterprise should be considered as an economic category and economic position of this enterprise. The economic security of enterprise as an economic category reflects the general notion, which

characterizes the most significant connections and relations of the real economic activity, the cognition of economic processes and phenomena, and also the place of these connections and relations in the economy [4].

The economic position of enterprise is the position, the economic activity of which under normal conditions ensures the fulfillment of all its obligations before the employees, other organizations, and the state owing to incomes and the conformity of incomes and expenditures [6, p. 60].

The factors, which form the corresponding level of enterprise economic security, are different and have their own specifics in each branch of production. However, there are general, typical factors affecting the level of enterprise economic security irrespective of the forms of property and branch of production, namely:

The first-hand factors of production are the main factors, which directly ensure production activities. They include:

- the direct location of enterprise (the territory);
- available natural resources and the conditions of their distribution on this territory, the accessibility of using and qualitative indicators;
- the availability of labor resources, their educational-qualification level;
- the available production infrastructure and possible volume of its using;
- social-economic infrastructure and the level of the population well-being.

The stable demand on products is a factor, which also plays an important role in the uniform propositional development of production. It comprises :

- concluded long-term contracts with consumers on selling products; укладені довготермінові контракти на реалізацію продукції з її споживачами;
- the level of the manufactured products' competitiveness;
- qualitative-guarantee indices of products;
- substantiated prognostication as to the stability of a certain product market;
- state and regional order on manufactured products.

The reliability of suppliers, first of all, those who ensure the supplies of raw and other materials . To do this, it is necessary to: have long-term agreements for supplying the necessary raw and other materials, taking into account the terms of delivery and their qualitative indices; know the possibilities of suppliers and not enable the monopoly of their supplies; to do this, as a rule, it is necessary to have 3-4 and more suppliers of raw and other materials in order to have the guarantee of stable price policy concerning raw and other materials and components.

External competition on products intended for export. These products have to:

- comply with the international standards;
- be competitive as to qualitative indicators and servicing;
- have substantiated and prognosticated prospect;
- be competitive as to the products, imported to our country with the aim of limiting the import to Ukraine of the products, which can be manufactured by national enterprises.

The state economic regulation of enterprise's activities consists in:

- protecting own producer of goods, irrespective of the form of property on the means of production;
- regulating the state tax policy;
- assisting in production, taking into account economic, territorial, and other aspects;
- assisting in manufacturing products, which is imported as a critical import;
- state order on goods, which are financed by the budget, and decreasing the import of these goods.

The reliable protection of commercial secret. The state has to guarantee the secret of scientific-technical achievements, the development of new technologies, intellectual property, know-how, including commercial secrets.

The competence of the enterprise administration. The most important factors, which can actively influence the level of enterprise economic security, are: high professionalism of the administration and team of managers (highly qualified personnel; the system of its training and forms of training; the creation of the corresponding production and social-economic conditions). The kinds of threats including the separate elements, which can be used practically for any subject of economic activity, are also mentioned.

The external threats and destabilizing factors can include: unfavorable changing of the political system; macroeconomic shocks (crises, inflation, the loss of the markets of raw and other materials, energy supplies or goods); illegal activities of criminal structures, competitors, and firms, engaged in industrial espionage or fraud, and also violations on the part of corrupted officials of controlling and law-enforcement bodies. The internal threats include: actions or inactivity (in particular, intentional or unintentional) of the enterprise's employees, which contradict the interests of its activities, leading to economic losses of the enterprise; violation of the order of using technical means, the established order of storing information, which is a commercial secret, undermining its image in business circles, arising the problems in the relations with real and potential partners, and so on (Figure 1).

The category of security is interconnected with the category of enterprise competitiveness. These both categories are connected with each other in the system of economic theory categories. Moreover, under the conditions of market economy, there is the relation, which is created by “the enterprise – competitors – the market”, and was called “the triangle of competition” in the scientific literature.

Considering the triangle of competition with the participation of a definite enterprise, the answer can be obtained to the question: whether the actions of the definite enterprise are efficient enough. In order to answer this question, marketing evaluation of the market, competitive and financial, technological, staff, and other opportunities of the enterprise must be made [1, p. 227].

Considering the enterprise as the object of management, modern economic science studies it as a peculiar kind of economic activity, directed at creating transforming material objects. Moreover, economic activity is considered as a basic

kind of the society activity. In this connection, it must constantly be the component of the economic system with various kinds of its own possibility manifestations, and the system was called timeless kind of activity [2, p. 7].

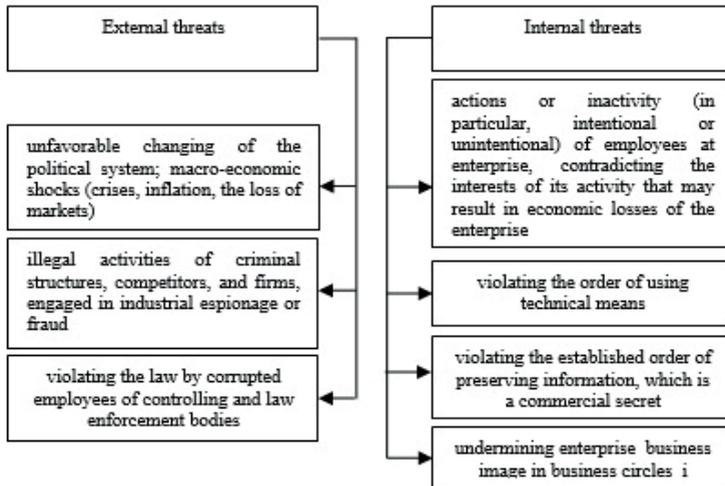


Fig. 1. External and internal threats of enterprise economic security.  
*The source: made by the author based on: [3]*

Ranging targets is determined by the approach to human values, by which the economic science is guided. Moreover, the classical (neoclassical) and institutional approaches are the extreme points of achieving the given targets.

According to the classical view, human values are those that explain the behavior of the individual participant of the market by egoistic (material) interest. The success is the maximal income, received from using the available resources; and this aim is the only one and unchangeable. The unlimited striving to the satisfaction of personal interest makes it be as a center of profit, be guided by only by the expected consequences of own actions. That is why the single aim of the economic mechanism, consisting of such individuals, is maximizing the profit on the invested capital. For institutionalists, the person, influenced by many factors, traditions, customs and standards, in particular, is the center of attention, but not economic aims. The main thing in human behavior is not striving for gain, but rational and systematic improving the functioning of enterprise; not the profit itself, but searching profit [5, p. p. 124-125].

The purposeful behavior of enterprise is determined by changing the positions of agricultural branches in time, the importance of agriculture and the economy functioning on the whole. The material component, bearing energy potential and information, becomes the result of enterprise's economic activities. However, to

measure the result of production in monetary form is peculiar for industrial and post-industrial societies. Using the indicator of the capital value form enables to estimate the degree of achieving the set goals, formulated by people on the basis of pragmatic and fundamental values.

In this connection, in separate cases, the personnel number serves as a regulating indicator, characterizing the amount of the ensured working places. For agrarian enterprises, as a rule, not the indicators, characterizing the real state of affairs, are important, but economic efficiency, which is determined by comparing the results of functioning agrarian enterprises and their resources that take part in economic and production processes. The profitability of production (sales, assets) and labor productivity are the most widely spread among these processes. The analysis the business activity (security) of agrarian enterprises is conducted on the basis of the results, mentioned above. The economic processes in agriculture include mutually connected components, characterizing technical, economic, and social parts [3, p. 79].

Technical processes are aimed at manufacturing the products of the definite technical, technological, or ecological level of production, and also a definite scientific-technological basis, the prospects of enterprise's development. The economic part of economic processes in agriculture is based on the notions. The social part admits the accounting of social needs, social usefulness of products and their changes; the estimation of social situation, solvency and its changes, and also social evaluation of a particular enterprise [4].

The economic and production processes, taking place at the enterprise, have a number of peculiarities:

- raw materials, objects of labor in general contain the amount of the manufactured product. The output of products can simultaneously be the exit in another system, which is the additional "internal factor" of agriculture functioning;

- transforming the initial material into the finished product, as a rule, requires labor results. The using of mechanized or (and) automatized labor enables to use the energy, which is different from human force;

- after a certain period of time, the main capital in the form of basic production assets requires changing and reproducing on a new technological basis [6, p. p. 82-87].

The technological character of economic processes, taking place in the production, is determined by the resource, which is the main in the given period of enterprise's economic activities. The composition of resources, used at agricultural enterprises, comprise the factors of production (material, financial, and human), and also the factors, determining the efficient using of production factors (organizational and managerial resources) [5].

The importance of each kind of resources, used in agriculture, developed simultaneously with the development of the economy.

The systemic characteristics of the external environment factors' impact determining the security of agrarian enterprise in market economy according to the processes of its activity is presented in Table 1.

At the end of the XXth century (in the 90s) several countries of the world conducted the so called “reverse movement” in their development – from command-administrative (socialist) way of production, exchange, and distribution to the market – associated with capitalist method of production, exchange and distribution. The economy of those countries during this period should be characterized as transition, and the period of development – as transformational stage, or simply, transformation [1].

In that period the following factors had to be transformed:

- the owner, who earlier was represented mainly by the state the common property is changed into private property;
- vertical relations between the state and other economic subjects (agents) of the economy;
- horizontal relations between all the economic subjects, including the state, which is the largest economic agent;
- mutual relations between the categories “plan” and “the market”;
- factors and mechanisms of economic growth [5].

Under market conditions the necessity arises of using principally different from the earlier existing methodology of restructuring production. Such methodology must envisage solving the questions of rationalizing the branch structure and territorial distribution of agriculture, efficient using the factors of reproduction (innovations and investments), and also the forms of production organization (concentration, specialization, cooperation, and combination), which, in connection with solving other aspects of the market economy, related to its orientation on social support of the population, enable to solve the problem of ensuring the security of agrarian enterprises [3, p. 79].

Among the methods of solving the problem the methods, oriented at economic ones and ways, used in the countries with developed market economy, must prevail. The role of command-administrative methods must be considerably reduced and limited to the necessary state regulation of the economy. That is why theoretical and practical experience of Ukraine is valuable for completing the formation of market relations, improvement of branch and territorial structure of agriculture, transformation of other fields and infrastructure of the market economy.

In our opinion, the main element in solving the problems, enumerated above, is stating and solving the problem of state regulation of the market economy. Such approach is realistic, because the role of the state in regulating the production, exchange, and distribution of the national product in developed countries is decisive. For example, in the USA the state distributes the third part of the GDP, in the European countries and Japan – the half. In Ukraine, under market conditions, this problem is becoming especially urgent, as the withdrawal from command-administrative methods of management leads the participants of the market and separate adventurous politicians to think about the freedom of market relations, not limited by the state [4, p. 38].

**The grouping of the factors of enterprise's economic security  
according to the impact of the external environment**

Character of the process	Element of the system, affecting the process	The main factors, determining the degree of the external environment influence on enterprise's economic security	The elements of currents' exchange
Organization	Entrepreneurs, suppliers, intermediaries	Resource intensity of business. Number of suppliers	Raw materials, money, information
Production	Employees	Number of employees. The share of compensation package for employed workers of the firm (motivation of labor)	Human capital, goods, money
Sales	Consumers, intermediaries	The amount of income. The degree of sales system's independence	Goods, money, information
Investments, reproductions	Investors, intermediaries	Interest rate for credit. The amount of the firm's own capital	Money, information
Competition	Competitors	The share of the firm on the market. The degree of the market monopolizing. The speed of changing the condition	Information
Processes of interaction with the environment	Territorial-geographical surrounding, state power, crisis phenomena. Technological environment, social-economic factors	Income per capita. Number of active population. The customs regulation. The level of corrupted economy. The level of tax pressing. Climatic conditions. The degree of enterprise's liquidity. Active vital cycle of equipment. Differentiation according the level of life. Unemployment	Goods, money, information

*The source: made by the author, based on: [2, 6]*

Taking into account all the above mentioned, we suggest to demarcate the economic responsibility and the resulting rights between the central and local authorities. Such demarcation envisages ensuring the distributing and uniting the interests, responsibilities, rights, economic resources in the state, that is, distributing and uniting the mechanism of market regulation (self-governance) and the mechanism of state regulation (the authorities).

In this aspect, the state takes the responsibility for the formation of the system of targets and possible alternatives of the national development, orientation of producers as to the general prospect of the country's development on the whole and also its separate regions and branches of the economy, regulation of cost parameters and financial-credit levers of the national production, export, and import of goods, that is, all those characteristics and parameters of the economy, which form the general directions of the country's development [5, p. 175].

In the connection with a principally another economic correlation between the categories "plan" and "the market", the necessity arises to determine the place and role of each of them in the society. The novelty of the problem treatment consists in:

- appearing mixed economy as a result of the formation of different owners;
- forming the role as to different interests of different social groups and layers of the population;
- the availability of the plan-oriented character of activities of each economic subject of the market relations, resulting from the owners' interests;
- necessity of organizing the mutual connection with the external environment relating to the state (the globalization of the economy); the necessity of efficient using economic resources, rational territorial and branch organizing of the economy.

All this makes the state become the guarantor of the general national interests and the largest economic subject of the market [5, p. 184].

The interests can be different: national, regional, the interests of social groups, branch, professional, collective-group, family-individual. All these different interests can simultaneously be both targets and limitations, and regulators while forming and substantiating the choice of general national, group and individual targets and limitations. It is stipulated by the fact, how the so called "exchange" of natural, financial, labor resources for the acquired technical, economic, and social progress takes place, and also the well-being, connected with it, at the expense of this well-being. Thus, the state must take the function of control over these processes

The regulation of economic development concerning the traditional and new branches, and separate territories must become the sphere of the state attention. The following strategic problems must be included here: the development of separate territories and inter-territorial relations; branch development based on innovations, banning the reproduction of outdated technologies; the development of education, cultural heritage; preserving ecological equilibrium, and other problems, the solving of which becomes possible only with the state participation.

Choosing the scheme of the model of raising enterprises' economic security under market conditions is the most important aspect of the state regulation. Because of the exceptional significance and volume of the problem of raising the enterprise's economic security, the selection and implementation of the model are possible only in case of the active role of the state. Only the state can determine and evaluate its geopolitical aims and interests and precisely enough define three groups of factors:

- physical ability to raise enterprises' economic security, that is the amount and quality of natural and labor resources, the amount of the main capital, and the level of technology quality;
- the aggregate demand or, to be more exact, the possibility to raise the level of overall society expenditures;
- the ability of the enterprise to distribute the resources in such a way, so that obtain the possible maximum of products [5].

The modern model of raising the economic security of enterprises in the USA is oriented at striving to keep the leading position in the world. The state regulates raising the quality of labor resources and conducts tax, money-credit, ecological, and other kinds of general national policy, directed at growing social labor productivity [4].

The Japanese model of raising the economic security of enterprises (in the 70-80s) was oriented at:

- intensive using of production resources by resource saving, developing new materials, and so on;
- intensive using of labor resources;
- considerable changes in the branch structure of production;
- great influence of scientific-technical progress on all the spheres of the national economy;
- control over money stock, achieving the definite demand, banning the decline of production and unemployment growth, stabilizing the rate of the national currency [4].

The Western European model of raising the economic security of enterprises is oriented at: transforming the reproduction, technological, branch, and territorial structures of the capital based on the transformation of the mechanisms of state regulation aimed at raising the physical ability of production development; increasing the volumes of creating new technologies and decreasing the traditional ones; identifying innovation policy with the adopted concept of economic growth with the aim ensuring economic and social growth on this basis.

To raise the economic security of enterprises in Ukraine the strategy of market economy formation (the strategy of reformation) was chosen, and the main directions of this strategy are the following:

1. The liberalization (deregulation) of the economy by taking away the limitations from prices, economic relations, foreign economic activities, the development of wholesale and retail trade.
2. The stabilization of finance and money system, strengthening of the national currency – hryvnia.
3. Privatization of property, the development of business.
4. Structural reconstruction of production, conversion, the adaptation of the economy to the internal market structure.
5. The creation of conditions for the formation of the competitive market of goods, factors of production, and finance.
6. The activation of social policy aimed at adapting the population to the new conditions, the support of the people of lower incomes.

**Conclusions.** In order to stabilize the agrarian economy, raise the economic security and efficiency of agrarian enterprises, the bodies of the state power must conduct: institutional transformations of market sector, banking and credit-financial system, the sphere of state regulation; stimulate and support national producers of goods; renovate the production apparatus; cut down the inflation potential of the economy and decrease the rates of price growth.

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## ENHANCING BUSINESS SAFETY: IMPROVING VALUE-BASED MANAGEMENT

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Business safety is one of the basic indicators, which shows the results of enterprise activities. The attitude and actions of business participants depends on this as well as created value. Traditionally alike task's definition means results and managers actions coordination in order to increase the value for the shareholders. That kind of coordination allows not only evaluate the contribution of concrete

manager, but also gives the opportunity to reveal the weak parts, as well as shows the development perspectives of the enterprise. The meaning of the value-added cost comparing to the basic scenario is used as a main measurement. In this case it is just needed to measure the initial value managing its sensitivity to value factors. For business safety's evaluation is just needed to put the goals correctly and make regular monitoring during the real functioning process. The probability of business loss and caused influence on the enterprise's value in time perspective under the negative factor's pressure is defined during value monitoring process. Although, even this business instrument seems to be perfect, the procedure of managing the value of the enterprise in long time perspective is limited by convention of the established tasks.

For mentioned defect prevention it is offered to include the new instrument – investment attractiveness evaluation - into the value measurement procedure. Mentioned estimation is done for new enterprises, which have no functional history – this is the difference of this evaluation. Estimating the well-founded specifications is the advantage of investment attractiveness estimation. Implementing the new instrument based on the “in an open country” model in context with the scheme of an acting enterprise gives the opportunity to connect the incompatible evaluation platforms and to increase the enterprise's controllability by improving the quality of controlled processes.

The processes' quality improvement, which influences the business safety, is reached during the diagnostics of management. The justice of this conclusion is proved by using the improved value evaluation of the multifunctional operating transport enterprise. Thereby the decision about the offered instrument adapting in set limits is formed by coordinating the planned aims and results.

Effective measures of business's safety. Business safety is defined by the level, which describes how the implemented on the enterprise decision – making system satisfies long-term and short-term aims and is able for the operation [1]. The decision –making system is a part of management system, which is mostly oriented for setting the aims. The goals and results, which directly depend on the existing management system, should be adjusted to ensure the given safety level. In other words, the creation of effective management system causes the increase of business safety. That is why the managers of the enterprise should have the instruments to define the effectiveness of the management system. The means of management diagnostics can play this role. With the help of such means the signs of management system's deviations from established norms are defined on the base of systematical investigations of its character signs. The organizational pathologies are studied during the restoration of signs, and the reproduction of characteristic signs is done taking into consideration the parameters, which do not lose their meaning in established frames interacting with external environment. The management system should have the ability to quickly be adapted for business environment. Having this ability, the management system is supporting the stable

business functioning, which testifies business safety. The losses, which appear in case of system becoming unstable with the absence of stabilization means, show the unreliability of business. The meaning of such losses is calculated with the help of enterprise value calculations. The safety of business is defined as loss probability under the influence of negative factors and changes in enterprise's value caused by these losses in time perspective. It is enough to reveal the factors and calculate the indicators, which describe the definite business instrument's stability in changeable external environment circumstances. As a result the potential of used mechanism adaptability in established frames and coordination of final results and planned targets is evaluated. Such scheme is not causing doubts having the effective diagnostic means of management system. Together these means forms the complex of principles and methods for organization's pathologies defining and well-founded diagnose statement. The management pathology appears as painful deviation from norms and is defined in context with symptoms. Symptomatic decisions of recognizing and radical neutralization decisions are worked out on its base.

Effectiveness of accepted management diagnostic actions, which are the part of management system, is also defined on the enterprise's value basement. Value increase, caused by organization pathology elimination, is testifying the correct decision. Value decrease shows the discrepancy of the result. In the first case business safety is increasing, in the second case – decreasing.

Generally the enterprise's value managing process, even though it seems so complicated, may be presented as a certain program. The program is worked out in accordance with structural reorganization scheme, representing five steps enterprise's value transformation [2]. During the realization the offered mechanism of rate indicator's coordination based on the balanced indicators' complex is used on all stages, connected with forming of the future money flows. This proves not only the complex character of value monitoring, but also demonstrates the opportunities of step-by-step improvement investigation by follow on parameters separating. The parameters are representing the balanced indicators' complex. That kind of isolation influences the management's results evaluation. Besides, it gives the opportunity to define the sensitivity and dependence of value factors. The offered approach consists of six level crossed check of normative indicators' balance. The basements of such check are well-founded dependences between the rates changes of established system's parameters. The conclusions about the enterprise's general development tendencies are made while monitoring the hangings. Thereby on the basis of absolute, relative and structural parameters it is possible not only to support the actual business processes, but there is an opportunity to choose the rational enterprise's management variant for successful functioning. Thus, the objective conditions for effective managing decision making are created and allow the enterprise to choose the optimal way of stable functioning in long-term perspective because of diagnostic's actions.

Management diagnostic's problems systematization. Value monitoring allows

establishing the possible losses and improvements value measure, which is used as business safety indicator. That is why the requirements for high safety often conflict with value criteria. It is not casual that in most cases the enterprise's managers, trying to increase the value, do not even think about increasing the safety of business activities. On the other hand, the organization with low value is functioning with high level of safety. Here comes the problem of finding the compromise between the results, which influence the enterprise's controllability in accordance with established safety level. Taking into consideration these factors the controllability of the organization decreases. The mismatch of actions inside the organization grows because of different rules, connections and structures increase. As consequence of such processes uncertainty appears inside the organization and in external environment. Value monitoring results lead to additivity destroy. Cumulative present value of separate improvements does not exceed the cumulative present value increase, received for the cost of mentioned improvements. Main reason of discrepancy is in convention of established value norms. As a result the improvements are done for such problems neutralization, which show the most sensitivity to value. The situations, connected with low sensitivity, which in perspective could lead for the considerable value increase, are not taking into consideration. Such situations are caused by incorrect choice of an estimation interval. And, at the end, the most serious disadvantage of value monitoring is monitoring stable development on the established value borders. Crossing the borders may cause the conclusion about crisis condition in normal functioning case and the opposite. Mentioned disadvantages are eliminated making the management diagnostics.

The management system diagnostic's organization demands absolutely different approach, directed on improvement of processes at the expense of revealing and elimination of problems. To start such organization is possible after accepting the effective principles of management. In the beginning it is required to systemize the organizational pathologies, and afterwards start to work out the diagnostics actions. The work out problem elimination actions are directed to methodologies, measurements and value managing process's perfection on the expense of finding the latent connections existing between problems. For the increase of the enterprise safety in a difficult and confused interrelations condition it is required to pass from value monitoring technology to technology of value management. The transaction is connected with business safety's measurement accuracy increase. Increase is connected with management system diagnostic process. The meaning of the diagnostic is not in control and monitoring, but in direct managing the enterprise functioning. Such management is implemented when estimating the functions of management, instead of business functions. This technology gives managers a chance to define the organizational failures and defects in due time and operatively react. Management diagnostics is a new area of investigations. Its development goes in the conditions of a considerable quantity of terms and small

number of the approved methods. Within last five years, basically the attention is paid to organizational questions of management diagnostics maintenance. As for technological aspects achievements in this direction are insignificant [3]. Main reasons of such situation are complexity and novelty of a problem, an illegibility of the established requirements, and absence of founded necessary financing volumes and experts of demanded qualification. In process of the theory and practice development of control systems diagnostics the attitude to it varies also. Investigation and disclosing of the given problem are based complicated step by step iterative researches. Thus in the beginning certain conceptual bases which are updated in the course of accumulation of practical experience are put. Such experience is received while estimating the accepted recommendations concerning concrete situations in business. Estimation process assumes revealing of certain laws, carrying out of analogies and accumulation of the information on efficiency of the actions executed in practice and the admitted errors. The revealed errors and size of the losses caused by them force managers to reconsider all process of business anew. As a rule, the basic errors are supposed already at initial stages. And here the preconditions, which lead to the most notable consequences – to property losses, to bankruptcy etc., are based. That is why particular attention to the questions of business safety maintenance should be given even before its opening. Therefore already at the stage of having a complete business picture vision the demands, which are a basis for management diagnostics system, should be established.

Principles' forming actions and actions of organizational pathologies elimination are directed on working out the diagnostic aids of not manipulated character. It is reached by maintaining the qualitative management definition. Creation of new diagnostic actions demands value monitoring replacement by technology of value management. Such replacement is connected with the transition to higher step of business safety measurement spent within the limits of diagnostics of a control system.

The main feature of value management is establishing well-founded specifications and an estimation of a current condition.

Well-founded specifications establishment. In the traditional approach when analyzing the conditions of the operating enterprise any influence on a control system is estimated from an increase in value position. Its estimation allows operating improvements on deviations of the factors influencing controllability of the organization. Improvements are directed to the elimination of the founded reasons, disturbing the process. The decision about improvement is accepted in case if the economy from its implementing exceeds the expenses in time for reason elimination. Decision-making should be confirmed by presence of positive sensitivity. Display of such sensitivity is observed, if enterprise cost raises more than on 1 % at increase in the factor of improvement at 1 %. The accepted improvements bring the contribution to enterprise cost. In aggregate such contributions represent reference points for the conditional specifications setting. The control of specifications is spent on additive

performance. Quite often conditionally set specification of value is in norm, and the subjective opinion of the investor based on intuition, expresses an inefficiency of invested resources use. In the classical value approach the option of such check is absent. That is why, despite set of advantages of the given approach, there are certain problems at its application. The advanced measures, which are carrying out functions of management diagnostics have been developed for their elimination. On Fig. 1 the detailed scheme of value management is presented.

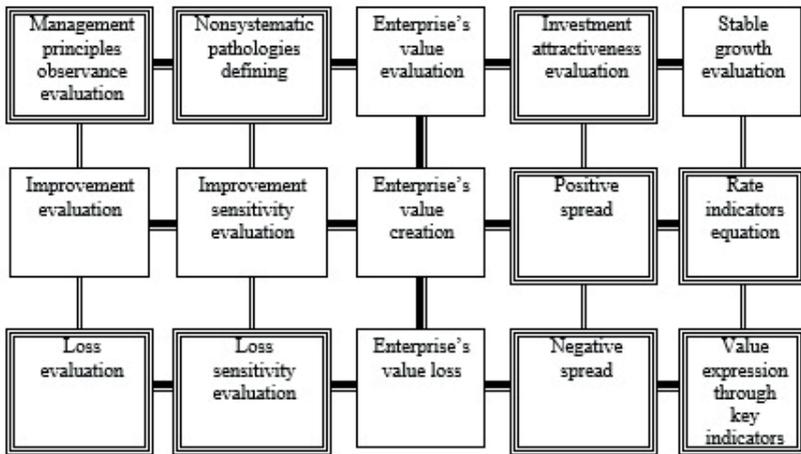


Fig. 1. Detailed value management scheme

The blocks signed by a threefold line, characterize new means of value management. The mainframe of the given scheme is the estimation of the enterprise investment attractiveness.

Usually use of such estimation is effective when analyzing the new projects, which do not have a cost history [4]. For increase of an estimation accuracy of enterprise investment attractiveness it is necessary to consider the general methods of calculations, applying thus consistent ways of their realization. Dissimilarity of various projects, presence of individual characteristics in them in any way does not underestimate the possibility and need of use of the settled principles and criteria of estimation. A main feature in principles realization procedures estimation is the definition of key indicators, such as the rate of discount or a monetary flow. Besides, it is necessary to take into consideration interests of all investment participants and to consider criteria of an estimation of efficiency comprehensible to them. Investment attractiveness estimation instrument's inclusion into value management technology demands the vision of structural integrity of a value problem. Such vision is based on the full financing scheme analyze taking into consideration general idea about the risk degree of the enterprise functioning. Economic inadequacy of no synchronous

measures in time, concerning expenses and results thereby should be considered.

In general view the methodology of investment attractiveness within the limits of a traditional cost estimation of the operating enterprise is done according to offered procedure.

1. Investigated enterprise is represented from the point of goal oriented structure of processes. Such structure forms the united project with concrete participants. Therefore at this stage the forming of potential participants portfolio takes place taking into account their interests. Further terms and duration of the project are defined.

2. The enterprise functioning is estimated in general. Such estimation is done at simplifying assumptions. It is supposed that all investments are supported by «firm generating the project». The volume of total investments is defined as result:

$$CPR_0 = \sum_{i=1}^I CPR'_0$$

where:

$CPR_0$  - total investments to the enterprise;

I - finance sources quantity;

$CPR'_0$  - the contribution of i-investment source.

Further comparison of results and the expenses received for all life cycle of the enterprise is made. Cumulative results in the form of total current cost of business ( $PVproect$ ) are compared to size of the expenses representing total investments ( $CPR_0$ ). Thus the estimation of results should be not less then expenses ( $PVproect > CPR_0$ ).

For results calculating the next formula is used:

$$PV_{project} = \sum_{t=1}^N \frac{F^p_t}{(1 + d^p_A)^t} + \sum_{i=1}^I \sum_{t=1}^N \frac{t_s \times d_{D_i} \times D_{t-1,i}}{(1 + d_{D_i})^t}$$

where:

$F^p_t$  - cash flow (future value), which defines the income from the main activities for the time period t;

$d^p_A$  - discount rate, describes the demanded income rate from the main activities;

N - number of years, when the main activities are evaluated;

I - quantity of finance sources ;

$t_s$  - income tax indicator;

$d_{D_i}$  - i- finance source percentage rate;

$D_{t-1,i}$  - obligations left for i finance source in t–year.

Using the offered approach the next value indicators are used: net present value of the project ( $NPV^P$ ), project internal rate of return ( $IRR^P$ ), project time of recovery ( $T_{\Delta}^P$ ).

The indicators of each participant's income rates ( $d_A, d_{D_i}$ ) illustrate the cost of used capital.

The definitive estimation of activity's effectiveness is characterized by following expression:

$$(IRR^P - d_A) > 0$$

The received difference is called value spread at which the internal rate of return exceeds the confirmed rate of discount.

3. At the third stage of procedure the estimation of efficiency of each potential participant (or activity directions) is done. The similar actions described in the second point of offered procedure are thus carried out.

4. The condition of additivity saving is checked, when the effect on the enterprise should be not less then sums of effects for all its participants (or activity directions).

5. The full estimation of enterprise functioning from the moment of the beginning of its activity to term of the perspective forecast is done. The base of reduction ( $t_{base}$ ), which corresponds to enterprise purpose change moment, is chosen. All expenses occurring at different times and the results received before tbase, with the help of compounding scheme are led to the established base of reduction. The results, calculated after change of a purpose, by means of the discounting scheme are led to the same time. The sum of the rediscounted monetary inflows is compared to initial expenses. As a result net present value is defined:

$$NPV^P = \sum_{t=1}^{t_{base}} \frac{F^P_t}{(1+d^P_A)^t} - CPR_0;$$

The received value is resulted on time tbase. Thereby works the function of compounding and net present income value is calculated ( $NPV^P_{t_{base}}$ ):

$$NPV^P_{t_{base}} = NPV^P \times (1+d^P_A)^{t_{base}}$$

After reduction operation monetary flows are formed. On their basis taking

into account formulas (1) – (5) cost indexes are calculated. Thanks to the received estimations the decision concerning investment attractiveness of the enterprise is made. First of all, the value spread, which becomes subsequently a reference point for well-founded set specification, is estimated.

Thereupon it is necessary to plan and supervise carefully the discount rate, making corresponding calendar changes in reduction schemes. The estimation should be done taking into consideration periodical recalculation of the discount rate. Thus on each monetary flow the individual rate of discount should be defined.

Using this approach, not only an estimation of investment attractiveness real capital forming investments is done, but also well-founded arguments for chosen enterprise management strategy are represented.

Current condition evaluation. In traditional schemes of value monitoring the estimation of the future incomes is done. In the offered approach there is a possibility of enterprise current functioning conditions estimation. It allows managing during direct diagnostics. Obligatory conditions of such management are the acceptance of management principles, elimination of all organizational pathologies of not system origin, an estimation of the financial investments in the enterprise, which were made.

Accepting of principles becomes not only way of reproduction and new consciousness, but also helps the creation of an objective reality. This allows to see existing problems with a new look, to design the innovative structure at the base of revealing the organizational pathologies of not system character and development the measures for pathologies neutralization. Such problems define a changeable condition of the environment having a nonlinear origin. It reflects in its sensitivity to insignificant influences. Presence of pathologies also is caused by the entropy of management caused by conditions of uncertainty. Any uncertainty is connected with choice possibility. Making a choice of the management decision, the accent is done on the integrated characteristics of organizational perfection and valuable preferences. As the proof of chosen decision preference the estimation of possible losses is used. Losses are investigated in a context of mastering by a nonlinear situation.

Elimination of organizational pathologies of non system character should be done after acceptance of management principles, but prior to the beginning of management diagnostics. Revealing of such pathologies is done on cost of losses maximization base. In this case the decision of opposite problem, directed on improvements search, is needed. Organizational pathology existence is defined by performance of the condition, characterizing the presence of a negative spread:

$$(IRR^p - d_A) < 0$$

Further current situation decoding is spent. The indicators influencing the appearing pathology are analyzed. Thereupon value is expressed through indicators, on which basis losses are detailed. The example of representation of current incomes

total cost (PV) dependence from factor of steady growth ( $SGR_t$ ), and also own capital ( $E_t$ ), norms of investment ( $NI_t$ ), amortization ( $Dept_t$ ), a working capital gain ( $\Delta WCap_t$ ) and a gain of investments in the basic means ( $\Delta A_t$ ) looks as follows:

$$K = \sum_{t=1}^N \frac{E_t}{NI_t} \times \frac{SGR_t}{(1+d_A)^t} + \sum_{t=1}^N \frac{Dept_t + I_t - \Delta WCap_t - \Delta A_t}{(1+d_A)^t}$$

The factor of steady growth is expressed through other indicators and etc... Then it is necessary to co-ordinate the connected indicators. Equation of the tempo indicators, characterizing the capital ( $T_c$ ), sales volume ( $T_r$ ), profit ( $T_p$ ) and value ( $T_v$ ), should be checked within the limits of the modified golden rule of economy:

$$100\% < T_c < T_r < T_p < T_v$$

During the complex analysis of the received dependences, the decision leading to the investigated pathology neutralization is defined.

Simultaneously with neutralization of pathologies uncertainty is eliminated too. As a result around the existing problem qualitative knowledge is provided. Trustworthy information presence is an initial material for knowledge base accumulation on organizational diagnostics, and also for the deep analysis and the situation description. On their basis well-founded substantial decisions, instead of recommendations of the general character are developed. Such decisions are accepted on the basis of not manipulated instruments.

During pathologies research the borders of the managing system extend. It allows making process principles closer to system's principles. In other words, the principles of the enterprise, shown in reality, become recognized in more difficult system. Hereby there is a self-regulation of management system in the process of its adaptation to an external environment. As a result objective preconditions for management system diagnostics are created.

The approbation of the concept of value-based management. Efficiency of offered technology of value management is approved on the example of many profile transport company. The enterprise is dealing with passenger transportations on local and international lines and has own repair base.

The authorities changed the management style, having passed to new management principles. During the reorganization a number of organizational pathologies have been revealed. After that the managing diagnostics actions were taken. During all described events the value estimation of the enterprise activities was done.

In Table 1 the estimation of management conditions, characterizing three stages of enterprise development, is resulted.

Transport enterprise's managing conditions evaluation

Indicators	Step 1 (managing style change)	Step 2 (pathology elimination)	Step 3 (improvement implementation)
1. Business value for 5 years period, Euro	472 000	933 000	589 000
2. Residual enterprise's value, Euro	476 000	554 000	1 249 000
3. Market enterprise's value, Euro	948 000	1 487 000	1 838 000
4. Rate indicators border: $T_c < T_r < T_p < T_v$	3.0%<6.3%<6.4 %<7.4%	6.4%<10.6%< 13.6%<15.6%	8.5%<13.1%< 18.1%<21.4%
5. Investment attractiveness: $(IRR^p - d_A) > 0$	0.26%	2.06%	5,04%

Considering the received results, all stages can be characterised as successful.

However the first stage, despite high value of the steady growth factor, comprehensible value and equation of tempo indicators, from investment attractiveness position effect does not bring in management. At the given stage all made investments are commensurable with the resulted incomes.

On Figure 2 results of the basic indicators are compared, characterizing three stages of the executed estimation.

Thus, the use of the investment attractiveness scheme in value evaluating technology of the operating enterprise leads to business safety increase. The increase is reached because of business information quality improvement, a deviation of effective from value position variants, presence of well-founded specifications. After elimination of organizational pathologies, the decision-making process took place in real functioning conditions and got the non manipulated status, what allowed the replacement of value monitoring with value management. Such replacement provides higher level of business management safety.

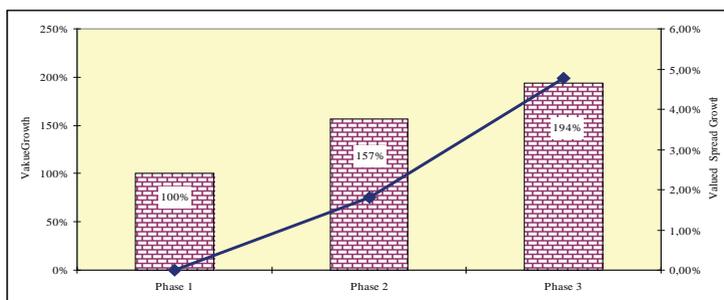


Fig. 2. Steps comparing results

**Conclusions.** During the approbation of value management technology, focused on the business safety increase, preconditions for working out the management system diagnostics policy were revealed necessary actions.

The diagnostics policy of the management system consists of special environment creation, in which general transformation of management style is happening. Its feature is the compatibility of environment with managers actions, which are clear, rethought and ready for practical use. System realization in practice is expressed in construction of reliable business. It is promoted by a preliminary spirit and preparation for new consciousness, and also a strengthening role of a scientific component in management art. It is a question of the developed policy and decision-making on the basis of trustworthy information, received by means of well-founded technologies. The sense of their validity consists in use of knowledge bases for understanding of techniques, even such, which cannot be described numerically, and also in absence of the means authorizing a data manipulation. In such way the conditions for normal enterprise functioning, allowing it to move in a direction of continuous qualitative improvements at reaction to changing requirements of interested participants, are provided.

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# **FINANCING OF UKRAINIAN HEALTHCARE SYSTEM WITHIN THE ECONOMIC SECURITY OF A COUNTRY**

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Health care is a system of socio-economic and medical activities, directed at the prevention of health loss and its resumption, sanitation of environment, improvement of living and labour conditions, maintenance and improvement of health of a society and its member with a purpose to ensure harmonious development of human physical and spiritual strengths, reaching the high level of work capacity and life expectancy. Main function of health care, particularly, is social one, but upon its operation directly depends the level of labour productiveness and the prospects of socio-economic development of the country. Health care is one of the main factors, which form the economic security of the country.

Medical care belongs to the most important types of social services, directed at addressing the basic needs of society. In accordance with Ukrainian law, each member of a society, regardless of the income level, has an equal access to the health care, and financial policy in healthcare field should provide a warranty of its high quality. And although the health status depends of the way of life, environment and heredity for 90 per cent, and only for 10 per cent on the development level of healthcare system, nevertheless, inadequate financing of this branch is one of the factors of low rates of its development. Thus, search of the new financial resources for health care and new financial mechanisms is not only the calling of our time, but also the issue of the national security.

Ukraine faces a number of challenges in respect to its health care services. The reform of Ukrainian healthcare sectors is taking place and it includes the following:

- a) alterations to the financing system;
- b) the introduction of a minimum guaranteed package of services;
- c) changing the way resources are allocated;
- d) increasing the role of the private sector;
- e) restructuring the primary and secondary care delivery system.

One of the characteristics of the Ukrainian healthcare system is inadequate public sector financing and high levels of informal payments. Health expenditure has therefore become a significant poverty risk factor. In an attempt to address this situation, several new sources of financing have been proposed in the frameworks of the current health care reformation.

The key features of a current reformation of financing in Ukrainian healthcare sector:

1. Government guaranteed healthcare benefit package. Instead of declaring that all health care is provided free of charge, the government clearly undertakes to provide the determined scope of healthcare. People know what exactly they can receive free of charge, and what they need to pay for – how much, in what way, and under what terms (an official, simple, and clear co-payment system). Health services within the guaranteed benefit package are rendered by the healthcare providers of all ownership types that receive a payment from the single national purchaser for the rendered services. The outcome of this step are: (a) limited resources are allocated for the guaranteed health services; (b) out-of-pocket payments shrink; (c) quality of health care and mutual responsibility of patients and doctors enhance; (d) the level of financial protection of individuals in case of a disease increases.

2. The single national healthcare purchaser. A new model of relations without a conflict of interest operates within the system – delineation of the purchaser (a payer) and the healthcare provider (autonomous healthcare facilities). Funds for the guaranteed benefit package are pooled in a unified national fund. A uniform space of healthcare facilities is created. Artificial boundaries between budgets of regions, cities are erased. The government pays for services where they are received by the patient (the exterritoriality). The outcome of this step are: (a) competition arises on the health market; (b) contractual relationship of the purchaser and the healthcare provider is introduced; (c) public spending is more efficient; (d) the patient is free to choose any facility and doctor; (e) transparency and accountability of public spending increase.

3. New mechanisms of payment for health services (the money follows the patient principle). The government refuses to maintain and upkeep the healthcare facilities infrastructure through itemized budget financing. It makes a gradual switch to paying healthcare facilities for the actual services rendered to patients. The outcome of this step are: (a) incentives arise for healthcare facilities to enhance the quality and become efficient; (b) quality enhances and conditions of services delivery get improved; (c) revenues of health professionals rise.

4. A stronger role of communities. New roles of the central government and local authorities. Communities act as founders and owners of efficient competitive healthcare facilities selling services to the government, insurance companies, and individuals on the uniform market of health services. The government – as the purchaser (on a competitive basis) of the scope of services guaranteed for each and every citizen. Community residents have leverage to control quality of health services provided. The outcome of this step are: (a) interrelation between the government, the community, and patients gets healthier; (b) healthcare functions of the government and communities are clearly segregated, overlapping of their functions disappears. Management of healthcare facilities is decentralized.

The Reform aims at solving the key problem of healthcare funding, specifically the inefficiency of public spending and its consequences: the individuals' need to «additionally finance» the system on their own, the unfair allocation of funds and

health services, the lack of individuals' financial protection in case of disease, the low revenues of healthcare professionals, and the lack of necessary resources where the patients needs that.

These reforms include changes in two other components of the financing function, i.e. funds pooling and health services purchase (funds allocation). It is their imperfection that brings about most problems in the healthcare financing.

In Ukraine, funds for healthcare financing that are collected through general taxes, are accumulated in the state budget and divided in two parts. One of them (the lesser) is allocated to financing national programs and national healthcare facilities that are centrally subordinated.

The other (bigger) part is allocated between the region budgets and budgets of cities in the form of a healthcare subvention based on the formula set out by the Cabinet of Ministers of Ukraine. Starting from 2016, it is also allocated between budgets of unified territorial communities.

The system of funds allocation among them as prescribed by the Budget Code adheres to the solidarity principle, as it uses the financial standard of budget provision which is uniform for the whole country.

However, the diffusion of funds among hundreds of local budgets (in 2016 there are 793 of them: region, city budgets, and those of unified territorial communities) along with the imperfection of subsequent allocation of funds between healthcare facilities neutralizes this positive accomplishment.

Funds from local budgets are spent on the infrastructure but not on the actual services for patients. Under such conditions, healthcare facilities, whatever their quality is, transform into monopolies and have no incentives to reduce unnecessary capacities or increase efficiency and quality. Services of facilities with different subordination often overlap, but the system has no incentives to optimize them: if hospital capacities in one place are reduced, this will not result in transfer of funds to the other place – the budget of the former facility will just get reduced.

The solution was offered to create the system of the single national purchaser of health services. Along with granting autonomy to public healthcare facilities, this will let create a single market of health services (the uniform healthcare space) where the government, insurance companies, local budgets, and individuals will be able to purchase services from independent healthcare providers of all the ownership types. Moreover, the government will pay for the clearly specified guaranteed benefit package of health services free of charge for individuals, and the healthcare provider will compete for these funds. Services beyond the guaranteed package can be paid for by individuals directly or by means of the voluntary health insurance.

In all developed countries and in most developing countries the government-funded health services are purchased based on the model of active (strategic) purchase. The purchaser (the state represented by healthcare management authorities or the state insurance fund) spends the taxpayers' money when buying services and drugs from healthcare facilities, doctors, and pharmacies using public contracts.

This model is not used in Ukraine, although it has been formally permitted by the law since 2000.

In Ukraine, healthcare facilities are mainly government-funded: they get money from the respective budget (of the oblast, city, raion, and starting from 2016 – also from budgets of unified territorial communities) based on the itemized budget of their expenditures. In this case, the quality and quantity of services or performance of facilities is not actually important.

Therefore, the main problem is that the taxpayers' money is spent on resources (maintenance and upkeep of hospital buildings, salary for their employees, etc.), but not on health services needed by individuals. Under such conditions, it's expedient for doctors to maintain and upkeep the swollen infrastructure (it is the infrastructure that is a ground for the extent of facility financing), while quality or efficiency is not the priority. As a result, Ukraine ranks second in Europe by the number of hospital beds (8.8 per 1,000 people in 2013) and the length of stay which is 1.5 times higher than in the EU (11.8 days at average, where in the EU it is 8). However, Ukraine has the lowest in Europe index of people's satisfaction with the health system and one of the worst indicators of the population's health in the European area.

The reform in this area insists on allocating public funds from the infrastructure maintenance to the purchase of health services directly needed by the people. The maintenance of facilities' infrastructure becomes the issue for their owners and management: facilities competing for money of the government, local budgets, insurance companies, and individuals cover their expenses and earn funds for their development. Formally, the law stipulates the ability to purchase health services. However, there is no clearly specified scope of government guarantees on delivery of free healthcare. This makes it impossible to formulate the item of such purchase: what exactly we need to purchase out of public funds, and what for people have to pay in full (or partially).

That's why the Concept suggests launching the government-guaranteed healthcare benefit package in Ukraine in the first place. It will be subject to contractual relations between the government (the single national purchaser of health services) and healthcare facilities.

Secondly, the Concept prescribes the introduction of new methods of performance-based payment to providers – which means paying for the services on the «money follows the patient» basis.

The new funding model is based on the following principles:

1. Financial protection. No one should face devastating expenses in case of disease or refuse from required healthcare due to inability to pay for it at the moment of receipt.

2. Fair access to healthcare. The government-guaranteed services are accessible by everyone in need, regardless of health condition and financial solvency.

3. Honesty, openness, and balance in key decision-making on allocation of

budget funds for healthcare: who exactly receives the services, what exactly those services are and for what price.

4. Transparency and accountability. Zero-tolerance for corruption. Understanding commitments of all parties, openness in public funds use.

5. Efficiency that means higher performance for all the system participants per each hryvnia spent. It is about better quality and accessibility of services for patients, better working conditions and income for doctors, efficient public spending for taxpayers.

6. Providers' competition as the tool for efficient and increasing quality of healthcare. Involvement of providers of all the ownership types and their fair competition creates the motivation to render top-quality services, to introduce their scientifically grounded and cost-effective methods of work, to ensure compliance with the clinical protocols and professional standards.

7. Predictability of the amount of funds for health services in the state budget which is possible on a condition of full strategic planning of healthcare and expenditures on it.

Single national healthcare purchaser. To order the government-guaranteed healthcare benefit package on behalf of individuals from healthcare facilities, the system of the single national purchaser will come into being. The single national purchaser is an independent institution acting for the patients' interests and purchasing health services from the single national pool of funds based on uniform basic tariffs and quality requirements. This ensures fair allocation of funds and uniform services throughout the country.

The best option for Ukraine is to create the National Agency for Healthcare Financing (NAHF) within the current model of money collection from general taxes. The NAHF and its regional offices contract healthcare providers of all the ownership levels and types in order to purchase health services within the GGBP. For the sake of efficiency of purchase, new mechanisms are launched for paying healthcare providers for actual performance (see the section below).

Following the principle of segregation of functions of the healthcare purchaser and provider, the NAHF as the purchaser doesn't own or manage healthcare facilities. Therefore, there is elimination of the longstanding conflict of interest, where the facility is funded from the budget of the authority it is subordinated to. The key term here is to grant the financial and management autonomy to the healthcare facilities that the NAHF enters into contracts directly (see the section below).

This one-channel financing through the NAHF naturally solves the problem of excessive fragmentation of the healthcare budgets. In Ukraine, the patient pathway inside the loop of healthcare lies not just between different facilities, but also between different budgets, all of which are the closed «healthcare subsystems» (the one of region, city), isolated from other similar subsystems. The reform prescribed herein eradicates artificial borders between them and creates the single healthcare market (the uniform healthcare space) which involves all the providers to which

patients refer – including private facilities and pharmacies.

New mechanisms of the healthcare payment: money follows the patient. The guaranteed healthcare benefit package and the single national purchaser make the actual sense due to introduction of the third element of the reform – the refusal to fund facilities based on the itemized budget (infrastructure maintenance and upkeep) and the transition to payments to the healthcare provider based on the services actually provided (paying for the result).

This requires the following pre-conditions:

- payment for the pre-approved outcomes (thus, it requires an agreement/contract setting the task for the contractor – the healthcare provider);
- the provider's autonomy (the healthcare provider (the contractor) decides on its own how its work should be arranged to provide the outcomes prescribed by the agreement);
- the independent inspection being the payment trigger (it requires the independent payer agent conducting such inspection).

As international best practices evidence, different payment methods are used for different types of care due to their peculiarities. They are designed to encourage healthcare providers to be as patient-oriented as possible, while securing effectiveness of their costs and care delivery.

For primary care, the mixed payment method is introduced based on the risk-adjusted capitation rate. This standard rate is supplemented with extra charges for service quality and reaching some important parameters (specifically, the vaccination coverage, quitting smoking and other bad habits, blood pressure control, etc.), fees for some services, the increased extents of which are determined by national priorities, etc. At first, the simple formula is used to identify the standard rate per capita, age and gender factors. Then other adjustments are gradually added to this formula to make the payment method as nonbiased and fair as possible. The framework of mixed payments is always adapted to the changing conditions.

For specialized outpatient care, different payment methods are used subject to the service type: capitation, fee for service, or fee for the treated case (for services close to the inpatient care, such as a one-day surgery).

For inpatient care, the method of financing banks on diagnosis-related groups (DRG) based payment for the treated case is used. Initially, this methodology will be launched in a range of pilot hospitals. Following them, new approaches will be used for collecting data on treated cases, coding them into diagnostically related groups and analyzing costs related to each case. As a result of this pilot,<sup>14</sup> the logics of grouping cases of inpatient care using DRGs will be adjusted to the Ukrainian peculiarities. The data array will be also provided that is required to develop the one-fit-all baseline tariffs for paying for treated cases for each DRG.

Subsequently, DRG-based payment for inpatient care will be gradually introduced in all the other hospitals of Ukraine. The launch of this methodology is a complex and long process, its implementation can take several years, as evidenced

by the experience of other countries. Therefore, at the initial stage of the reform, until transition to the payment of inpatient care by means of the GGBP, the hospitals will be funded by means of the global budget specifying the scope of services and relevant performance indicators for these facilities.

Preparation and implementation of financing of primary care and part of specialized outpatient care based on capitation payment and global budget hospitals financing will begin in the near term, no later than the beginning of the next fiscal year.

Autonomy of healthcare facilities (delineation of the purchaser and the provider). The upgrade of the health financing system as suggested herein is based on the model of the balanced «consumer - purchaser - provider» triangle accepted in advanced countries. In Ukraine, this relationship model is malformed: in fact there is no service purchaser, it is combined with the provider (the state owns healthcare facilities and ensures its financial support). This creates the conflict of interest and leads to extremely low performance and significant national healthcare spending. As the reform includes creating the autonomous national healthcare purchaser, this implies occurrence of the autonomous providers selling health services to the former based on contracts.

For this, granting of the financial and management autonomy to all the state-funded facilities (other than rare exceptions) should be secured as soon as possible (during 2016) by their transformation into state-owned and communal non-commercial companies. Right after the autonomy is granted, the facilities should switch to contractual relations with budget spending units (and further – with the NAHF) using the global budget mechanism (until the new methods of health services payment as described above are introduced).

At primary care, the autonomization process may be accelerated through the doctors' wide use of the generally accepted approach of private practice-based work.

Ukraine faces a number of challenges in respect to its health care services. While the intention of the paper was to comment upon some of the matters and options being contemplated and in other instances simply to raise awareness it is apparent that, notwithstanding the imperative to address the issue of the constraining nature of Article 49, certain initiatives could be commenced now which would assist the longer term health reform requirement.

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## **DEVELOPMENT OF THREATS TO ENTERPRISE ACTIVITY**

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The protective approach to security studies emerged to become the first and one of the most widely used in the related field. As early as the 1990s this approach was considered in a rather simplified manner - as protection from various economic crimes (property damages, information breach, fraud, counterfeiting, industrial espionage etc.).

As of today, the protective approach has the leading position in economic security studies overall, as it serves as the starting point for various other approaches to interpretation of enterprise economic security.

Under this approach, the core notions become “protection”, “protectability” and also “threat”, as all three are vital in explaining the phenomenon of enterprise economic security.

When we consider contemporary economic security studies at their microlevel, definition of the notion “threat” tends to be rather blurry as there are no distinctive criteria for it (Vasylytsiv, Pasichnyk, 2008; Gadyshhev, Poskochinova, n.d.; Kuznetsova, Kyune, 2015; Melnyk, 2011; Orlyk, 2014; Fursa, n.d.).

Taking into account the fundamental nature of the notion “threat” in the context of economic security, we would like to emphasize on the necessity to conduct more indepth research of this category; directions in such research have been already outlined in (Kozachenko, Pogorelov, 2018).

Any sort of threat to enterprise activity can ever emerge suddenly and out of nowhere. It forms and develops gradually, thus, its emergence is a process which has the start and the ending of its own. Thus, we talk here not about some sort of one-moment event, but rather about a gradual change of conditions influencing processes, events and phenomena in both external and internal environments of an enterprise. For some reason(s), these processes, events and phenomena are changing from the state of indifference to the state of an actual threat. The key cause for such a change would be presence of such conditions (situations, circumstances) in external/internal environment of an enterprise which predetermine changes of purely negative nature. Consequently, later on this enterprise would need additional resources to remove/fight these negative changes, and in many cases the most

important additional resource in this regard would be Time.

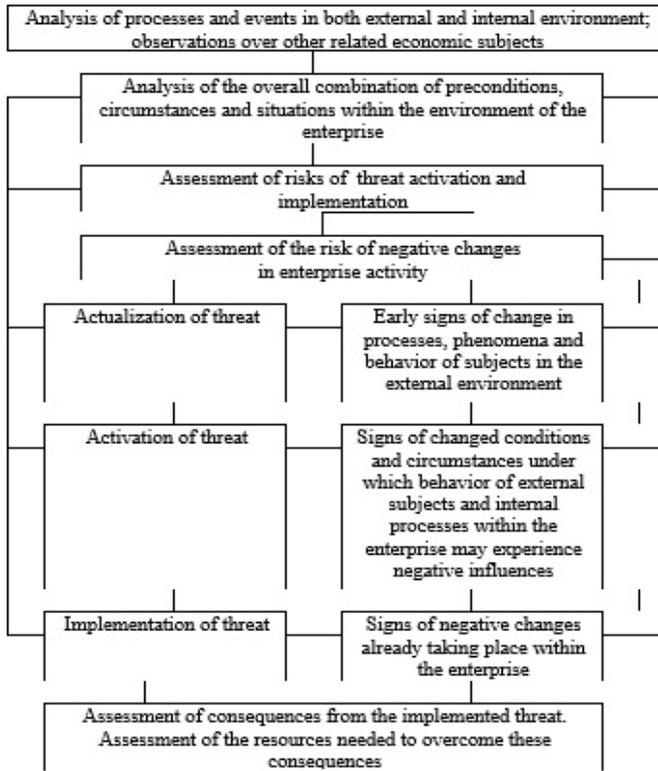


Fig 1. The pattern of threat development analysis for enterprises

Development of threats to enterprise activity often starts when the subjects of external environment demonstrate indifferent behavior in relation to the enterprise and at the same time they have a well-targeted capacity to cause serious changes in the activity of this enterprise.

Development of a threat to enterprise activity is a process which always goes through several rather specific stages: actualization of threat, activation of threat and finally, implementation of threat. In Figure 1 we offer a scheme, following which the process of threat development can be analyzed specifically in the context of enterprise activity.

Actualization, activation and implementation of threat to enterprise activity are stages in the process, which means they have their turn and order: once the stage of actualization is coming to its end, the next stage, that of activation, begins. Then, the end of activation stage means the stage of implementation starts.

In the absolute majority of cases, coming to the stage of threat implementation does not necessarily mean the enterprise would stop functioning (the major exception being the so-called resonance effect, when several significant threats are being implemented at the same time, thus leading together to negative consequences of a much serious level). In all other cases the stage of threat implementation would only mean certain complications to enterprise functioning.

Actualization of threat to enterprise activity means that this activity contains (though this could be not that obvious) the preconditions under which certain processes and/or phenomena in the internal and/or external environment may cause changes of a negative nature.

The stage of threat actualization can be described as follows:

- processes and phenomena that potentially may lead to negative changes are already being formed. There are already early signs of that, but their manifestation is very weak. Detecting these early signs and interpreting them in a right manner is actually one of the most important tasks in security activity of any enterprise. In this regard, availability of free time becomes one of the key advantages since the enterprise needs to have time for: preparation to negative changes; reducing the scale of these changes; or even avoiding negative consequences as such;

- on the other hand, we can also observe the revealing (if already present) or forming preconditions (circumstances, situations) under which certain processes and phenomena in the internal and external environments of the enterprise as well as behavior of the external environment subjects (or changes in it) may cause negative changes in the enterprise performance.

Therefore, the following preconditions are supposed to be present for actualization of threat to enterprise activity:

- specific processes and phenomena must be present in the external/internal environment of the enterprise;

- there supposed to be certain preconditions under which these processes and phenomena would eventually turn into real threats to this enterprise functioning.

Actualization of threat to enterprise activity is not only a stage in threat development but also a process which is taking place only once these two specific preconditions have been met. Since both external and internal environments of an enterprise contain a large variety of processes and phenomena and also since every enterprise interacts with many economic agents at the same time, actualization of threats is a neverending process. Thus, it would extremely hard (if possible as such) to determine when this process of actualization starts and when it finishes (in relation to one particular threat).

Therefore, actualization of threat to enterprise activity is always an ongoing process which has various manifestations and may take different forms.

Actualization of threat to enterprise activity as a stage in threat development process has its own specificity for each enterprise since it is always predetermined by peculiarities of enterprise functioning. Every enterprise reacts to changes and

threats in its own way, moreover, every enterprise has its own capacity to detect and prevent threats to own functioning, to assess the scale of all potential consequences and to take security-related actions accordingly.

Is the stage of threat actualization inevitable? This is the question which we cannot answer with the absolute certainty due to the following reasons.

Too many factors are influencing enterprises and the process of threats' actualization at the same time: the overall state of the external business environment in a country/region, state regulatory policy in relation to business entities; decisions made by top management, enterprise owners or other vitally important stakeholders, their capacity to differentiate properly between own business interests and those of the enterprise itself, the capacity of all involved stakeholders to overcome the potential conflicts of interest and so on.

In some cases actualization of a specific threat may not start, for example, when the negative change from one event/process is overcompensated by the positive influence of other event/process, or when the enterprise has enough capacity to take security-related actions so that to avoid/prevent the formation of negative preconditions.

Actualization of threat may also start but be very slow in its development. Under such scenario, the actualization process can be stopped and the next stage, that of threat activation, can be avoided, thus minimizing the risk of threat implementation.

Therefore, actualization of threat to enterprise activity always has some degree of probability: under certain conditions the threat may develop to the next level, and under other conditions it never will. This probability of threat actualization depends on two preconditions: enterprise's sensitivity to threats and the quality of security provision. If quality of the latter is high enough, then threats can be relatively easily stopped even at the stage of threat implementation. And if the process of threat development through stages is left totally uncontrollable, then transition from one stage to another may become even quicker (provided there would be no objective limitations to the rate of changes).

Activation of threat to enterprise activity usually means that enterprise functioning itself contains certain preconditions under which the probability of negative changes is growing under the influence of other, objective processes and phenomena in the internal and external environments of this enterprise.

Activation of threat can be also seen as a structured subprocess in which we can differentiate between two phases – emergence of threat and its repletion.

During the phase of threat emergence in enterprise activity the threat already has a specific form, while all potential consequences from its implementation become rather obvious. Thus we can state that during this phase in development the threat becomes potentially possible, and its most specific features become noticeable. If during this phase the enterprise takes security-related actions - it will receive an opportunity to prepare properly to future negative changes. However, security-related actions taken at this stage already would require significantly more time

and other enterprise resources, as compared to the stage of threat actualization. This means that security measures to be taken at this stage must be much more active.

Implementation of threat to enterprise activity means that negative changes have already started taking place. Such changes can be isolated, one-time events, however, in most cases negative changes as implemented threats take the form of chain reaction: one negative change in one part of the functioning system of the enterprise is causing several other negative changes in the related subsystems. In their turn, these “secondary” changes are causing further negative changes.

Also noteworthy is the fact that these negative changes are never momentary, they are gradual and take some time. In other words, implementation of a negative change is also a process, with the timing of its own.

If the enterprise, for some reason, does not respond to these negative changes or if its response is not active and targeted enough - then negative changes will lead to qualitative transformation of the enterprise as a whole. Most probably, this will mean complete disintegration of the enterprise: it will gradually lose its functions, one by one, up to absolute degradation of functionality. This means that the enterprise will reach the state of crisis.

Once we can observe negative changes in enterprise activity and the first consequences from these changes, the threat can be considered as implemented. Duration of the process of threat development may vary, it may take years in some cases, and in other cases it will go at lightning speed. This process can be blocked, it can be slowed down or even fully stopped, depending mostly on how efficient are the security actions taken by the enterprise.

Contents of each stage in the development of threats to enterprises are described in Table 1.

If the enterprise turns out to be not ready to react to these changes accordingly or simply does not have enough resources to do so, then negative changes will cause significant damages to it. Fixing the situation later would require even more resources (and again, time in the first place). Moreover, even if the enterprise has enough resources ready and is capable of security provision, this does not automatically mean it will successfully overcome all related negative changes quickly enough. In many cases consequences from negative changes are so quick that all attempts to fix the situation come too late.

To sum up, actualization, activation and implementation of threat are three stages in the process of threat development. Start of each of them has its special early signs. Thus, to be ready to take security actions, the enterprise needs to know all these signs and to be ready to detect and prevent them, or at least to track their emergence and development. In many cases it would be completely sufficient to hinder the development of a threat, thus postponing the stage of threat implementation indefinitely. The enterprise can also reduce the scale of threat implementation to the very minimum, thus making all further negative consequences barely noticeable for the enterprise.

**Stages in the development of threat to enterprise activity,  
their contents and results**

Stages in the development of threats to enterprise activity	Contents of the stage	Results at the end of the stage
Actualization of threat	New processes and phenomena emerge and develop in the external and/or internal environments of the enterprise; the already available processes and phenomena tend to have their nature seriously changed; subjects of the external environment may change their behavior, especially those with whom this enterprise has the closest relations. Formation of new/changed conditions, circumstances and situations under which processes and phenomena inside the enterprise or in close proximity to it may change to become a potential or actual threat to this enterprise	The enterprise becomes sensitive to the influence of processes and phenomena in the internal and external environment and also to behavior of the selected external subjects
Activation of threat:	Emergence and formation of a threat to enterprise activity	
the phase of threat emergence	Formation of threat to enterprise activity (the threat takes a specific form, its consequences become rather obvious and overall, it becomes clear that the threat is very much possible)	Specific threat to enterprise activity with its own degree of probability
the phase of threat repletion	The probability of threat implementation goes significantly up till the level when the threat is fully formed (thus, the probability of negative changes becomes nearly certainty).	Specific threat to enterprise activity with high probability/near-certainty of its implementation.
Implementation of threat	Negative changes start to reveal themselves in enterprise activity. In most cases, they come as an avalanche. Moreover, they often cause the domino effect, going one after another.	Counteraction to negative changes, as a rule, does not automatically mean returning to the previous stable condition of the enterprise, no matter how successful this counteraction is. In case the enterprise, for some reason, does not counteract to negative changes as such, its full degradation is quite possible.

All actions by all third parties within the external environment along with numerous other processes, phenomena and trends together shape the business surrounding of the enterprise. In other words, together they become the environment in which, under certain preconditions, various sorts of threat may emerge and start developing. Once a threat reached the stage of implementation in its development,

we can also observe the negative consequences from this implementation: the regular course of business events is violated, haltings are observed in both core and auxiliary processes, the results overall start to be unsatisfactory as compared to previous period etc. Putting it another way, threats to enterprise activity are being not only activated but also implemented in full.

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# INTERNATIONAL INVESTMENT BEHAVIOUR OF CORPORATIONS IN THE FORMAT OF INVESTMENT SECURITY

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Statement of the problem. In recent years, global economic processes, including investment, are under constant influence of new and powerful factors. They are not just ambivalent or have a dual character, but often are latent in nature, and accordingly change the usual actions of subjects of international business. As a result, the latter are forced to transform their own investment activities, adapting to such conditions.

So it is necessary to research current tendencies of management techniques of investment behaviour of TNC, to obtain better social and economical results and to provide economic security for host countries.

Many international and domestic scientists, beginning from F. Quesnay, A. Smith, D. Ricardo, K. Marx, J. Schumpeter and to L.J. Gitman, D. Lukianenko, O. Mozghovyi, deal with research and development of investment behaviour of TNCs in modern economic conditions. But because of various changes in the world economic space, the need in further study of modern investment trends remains relevant, hence the demand for a wider synthesis of investment problems in the economic space emerges, taking into account the need to provide national economic security prospects.

The purpose of this paper is substantiate positions of essence of transnational corporations, TNCs' investment activity and their investment behaviour in the context of the latest global challenges and threats in the global investment environment.

The research is carried out using both general scientific and special methods: scientific abstraction, analysis and synthesis, historical-logical method, system approach method, the method of theoretical generalization.

The main scientific results. In spite of numerous discussions on the definition of the concept of investment, in our study investments will be long-term investment of capital and various forms of assets in various sectors of public life, mainly outside the country, as well as property and intellectual valuables, which are invested in objects of various types of activities, as a result of which the profit is obtained or the social effect is achieved by the subjects of investment activity [10].

Considering that the main subject of investment activity is transnational corporations, we will pay attention to the concept of this phenomenon.

In our research, we will adhere to our earlier definition of TNCs as a group of companies of any form of ownership that: a) are located and operate in different countries; b) controlled by headquarters located in one particular country; c) are guided by a general strategy and coordinated policy; d) have a certain scale of international activity; e) implement a unified business ideology with the synthesis of the philosophy of voluntarism, pragmatism and liberalism; f) have a unified corporate accounting and reporting system; g) interfere in international political processes, representing their new and extremely influential subjects [9].

It should be noted that according to UNCTAD experts, the top 100 largest global TNCs represent only 0.1% of all TNCs in the world, but overall sales in 2017 amounted to about 10% of world GDP. The assets and sales of these TNCs increased by 8% due to large merger and acquisition deals, which resulted in five new corporations, namely DowDuPont Inc.; Reckitt Benckiser Group Plc (United Kingdom); Fresenius SE & Co KGaA (Germany); HNA Group Co., Ltd. (PRC). Among the largest companies listed, Schlumberger Ltd., ConocoPhillips, General Motors and Hewlett-Packard (USA) disappeared.

The directions of strategic management of TNCs based on certain types of investment behaviour show how each TNC enter the foreign market. Hence, international investors are driven to certain actions by the motives that are reflected in their behaviour. The term of «behaviour» was the focus of the study of many national and foreign scientists (V. Verhovin [4], Yu. Levada [5], T. Petrushina [3], P. Sorokin [5], E. Suimenko [2], N. Sukhorukova [5], S. Rubinstein [4, p. 125], S. Lindenberg [11]).

Economic behaviour is described as a set of purposeful, rational, optimal human actions in the process of social production, associated with the choice of the most advantageous alternative or as a set of consecutive actions in the field of economics, that is, from the outside, the observed form of activity in economic life.

In our opinion, having the behaviour of the company should be called the aggregate of the response of the subject of management on certain forms, means and directions of the environment, that is, the motivational relationship between the formulation of goals in the organization and actions in response to factors influencing the organization [3].

In general, it should be noted that behaviour is defined as a certain style of interactions in the environment, determined by the ability to change their actions under the influence of internal and external factors. Many factors constantly transform the behaviour of the company. In the study of national and foreign scientific literature, the investment behaviour of TNCs can be characterized as behaviour resulting from economic incentives and the activity of any economic entity [3-5].

In the process of research the nature of investment behaviour, we have found

that investment behaviour can transform its characters from moderately liberal to rapid expansion. In this context, we can create a classification of investment behaviour with their characteristic elements that are concerned to the different types of home countries for TNCs (Table 1).

When investigating the transformation of the investment behaviour of TNCs and the galloping pace of its movement towards the most aggressive expansion, attention should be paid to corporations such as Uber Technologies Inc. (USA); Airbnb (USA) and Alibaba Group (PRC).

Their behaviour is based on the transformation of the psychology of a modern person [13]. A characteristic feature is that they constantly go to the brink of legislation and conflict in order to obtain the result, often violating all the rules without punishment [9].

The research of investment behaviour of Alibaba Group Corporation shows that today the main activities are trading transactions between companies under the scheme B2B, retail online trade. Characteristic signs of the behaviour of the Chinese corporation are that they slip into the foreign markets with the help of development of online trade and investing in the positioning and advertising of their products. In turn, they are displacing competitors. Such investment behaviour damages enough seriously the ground of economic security.

It should be noted that we pay attention on corporations of group FAANG which their total capitalization at the end of the first half of 2018 amounted to 3.8 trillion US dollars, and even Amazon and Apple even launched a kind of competition who first reaches the value of 1 trillion US dollars. FAANG shares at the end of June amounted to 30% of the capitalization of the NASDAQ index [1] According to Macrotrends statistical database, the market capitalization of FAANG companies for the period 2016-2018 really shows an increase in this indicator. In 2018, the market capitalization of Facebook has grown by 41.3%, Google - by 56.6%, and Apple - by 79.5%. The largest corporations are Amazon and Netflix, as their growth is +192% and + 241% respectively (Table 2). These consequences are results of the most expansion of corporations' behaviour, their aggressive type.

According to their expansive behaviour, the FAANG group is still holding up, having absorbed a significant share of the capitalization of the American stock market, but signs of cooling we have already been noticed and some companies gradually began to lose market share. A particular concern of investors in October-November 2018 was caused by a sharp decrease in the capitalization of the transnational corporations of the FAANG group (Fig. 1). The shares of Facebook, Amazon, Apple, Netflix, and Google Alphabet (FAANG) parent holding have declined for several weeks. By November 20, the five largest technology companies lost 1.02 trillion US dollars and went to the "bearish" territory (a decrease of 20% or more compared to the 52-week maximum). Investor confidence in large technology companies has fallen due to a slowdown in the growth of their revenues and scandals related to the security of user data.

Table 1

## Typology of investment behaviour of TNCs and their characteristics

Types of TNC IB*	Motives and features of investment behaviour	Types of TNCs' behaviour based on the economic development of the parent company
<b>Rapid expansion</b>	Motives: - to quickly seize the foreign market; - getting the maximum profits Features: - struggle for the object of investing in any way; - high market value; - fundamental confrontation; - innovations	Countries Developed: Uber Technologies Inc. (USA); Airbnb (USA) Developing: Alibaba Group (PRC) CEE countries*: Viber (Belarus together with Israel)
<b>Expansion</b>	Motives: - monopoly; - control at a foreign enterprise - growth of corporation and expansion of its activity Features: - market capitalization; - assets of corporations; - unfair competition; - psychological impact on consumers; - conquest of strategic investment objects	Developed: Apple Inc. (USA); Alphabet Inc; (USA) Amazon Inc. (USA); Facebook (USA); Johnson&Johnson (USA); Exxon Mobil (USA); General Electric (USA); Nestle (Switzerland); Royal Dutch Shell (the Netherlands); Netflix (USA) Developing: Arcelor Mittal (Luxembourg); China Construction Bank (PRC); Xiaomi (PRC); "Arcelor Mittal Krviviy Rig», ASEAN corporations CEE countries*: Lukoil (RF); Hrvatska Elektroprivreda d.d. (Croatia)
<b>Moderate</b>	Motives: - the need to support the corporate image; - diversification of risk; - saving of own resources Features: - weighting of investment decisions; - struggle for sustainable development; - access to the competition's innovation base	Developed: Honda (Japan); BMW (Germany) Developing: Isuzu Motors (Japan); Infosys (India); Sun Pharma Industries (India) CEE countries*: Latvian Shipping Co (Latvia); TVK Ltd. (Lithuania)
<b>Moderately liberal</b>	Motives: - access to the foreign market; - obtaining a certain share in private capital Features: - access to new markets; - stable market capitalization	Developed: Agfa-Gevault (Belgium); IKEA (The Netherlands) Developing: Gorenje Group (Slovenia) CEE countries*: Podravka Group (Croatia)
<b>Liberal</b>	Motives: - development of the corporation; - getting stable profits Features: - maintaining the image and growth of the corporation at a certain level	Developed: Toyota (Japan); Nippon Telegraph & Tel (Japan); Windvision (Belgium) Developing: Tata Group; HCL Technologies CEE countries*: Motokov a.s (Czech Republic )
<b>Mixed</b>	Motives: varies depending on host countries Features: inherent in all of the above features, depending on the situation	Developed: Microsoft (USA); Samsung Electronics (South Korea) Developing: LATAM Airlines Group (Chilei) CEE countries*: Pliva Group (Croatia)

\* CEE countries – Central and Eastern Europe countries

*Source: compiled by the authors based on [6; 7]*

**Market capitalization of FAANG at the beginning of the year, billion US dollars**

Corporation	Market capitalization of FAANG at the beginning of the year, billion US dollars				
	2016	2017	The growth rate, %	2018	The growth rate, %
Facebook	325,97	343,01	5,23	460,6	34,28
Amazon	243,91	397	62,76	712,12	79,4
Apple	498,34	603,62	21,13	894,28	31,59
Netflix	36,26	62,48	72,31	123,67	97,94
Google	570,42	614,55	7,74	893,15	45,33

*Source: compiled by the authors based on [14]*

According to analyst Dario Perkins (TS Lombard) in the short term, an unexpected weakness in the technology sector could undermine the rest of the US stock market and greatly affect the global economy, shaking financial security.

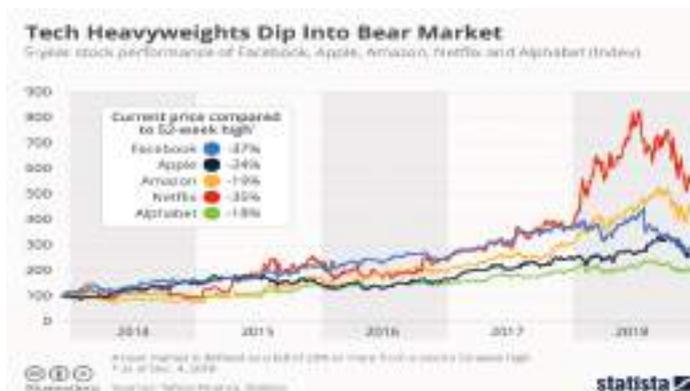


Fig. 1. Stock performance of the group FAANG during the latest 5 years

*Source: [14]*

The excessive expansion of investment behaviour showed its negative consequences in the summer of 2018, starting with Netflix. The initial reaction of investors to the controversial Netflix report was rather negative: Netflix stock prices at the opening of the market collapsed by 13.5%. The main reason for the fall in Netflix shares was the company's previously optimistic forecasts [8].

All of these high-tech companies are American. In October and November, the US stock market lost about 5.4% of capitalization. In October, it fell by 11%, but a strong correction was followed by a rebound, which soon again went into a fall, but with a smaller amplitude. At that time, the value of the S& P 500 index

fell in absolutely by almost 2 trillion US dollars, of which the FAANG group of companies - Facebook, Amazon, Apple, Netflix, and Alphabet (Google) - lost more than 1 trillion US dollars.

In addition to the characteristic behaviour of TNCs, the collapse was associated with the growing risks of a trade war, a slowdown in China's growth, a drop in oil and an excessive increase in rates, which leads to an increase in the value of the US currency and the loans denominated in it. Obviously, these risks will remain in the foreseeable future, and we can see a new wave of correction after the Christmas rally - in 2019 [12].

Thus, using the needs of economically weak countries in powerful volume of investments, corporations carry out the covert grab of strategically important segments, demonstrating the increasing aggressiveness of their behaviour. Thus, the need to strengthen mechanisms of national economic security is being updated.

**Conclusions.** In the process of international investment, each subject of international economic relations manifests its own investment behaviour. It is the most interesting that we research the investment behaviour in the context of its impact on national economic security of countries.

Investment behaviour arises as well as any behaviour because of motivation that prompts TNCs to invest. The excessive expansiveness of investment behaviour in the group of companies FAANG demonstrated its negative consequences in the summer of 2018. In the short term, an unexpected weakness in the technology sector could undermine the rest of the US stock market and greatly affect the global economy, undermining financial security.

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## **THE ECONOMIC SECURITY SERVICE OF THE MODERN COMPANY: ANALOG MODEL, CREATION ALGORITHM**

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Currently, the national economic reality is the causative point to the need for domestic enterprises economic security. That it will provide a proper state of their vital interests protection from unfair competition, illegal activities of criminal groups and other external and internal threats. A large number of researchers believe that such systems should be focused primarily on ensuring the development of economic security of business entities in accordance with their statutory goals, a specific mission, maintaining the state of legal and economic relations, organizational relationships, material and intellectual resources, which guarantee the stability of activities, commercial success, progressive scientific, technical and

social development of business entities [1].

Based on the analysis of the existing systems of economic security of business entities, we formalize the analog model of the economic security system of a production enterprise. To formalize such a model, one should take into account the fact that the modern is a complex economic system. Such a system operates in a market environment, has a fairly specific result, is correlated with the mission, goals and objectives of the enterprise. Currently, domestic enterprises are building their activities in rather difficult conditions characterized by high levels of fluctuations in market environment and competition in the industry. Such enterprises are mostly influenced by external factors. They lead to the emergence of various threats from existing stakeholders - competitors of the external and internal markets, suppliers, partners, consumers and, in particular, government institutions.

According to scientists [1; 3; 4–10], the need to ensure the proper state of economic security of economic entities requires the creation of their own system of economic security. Therefore, following the publication [1], we will formulate the main provisions according to which such systems should be created:

1. The system of economic security of economic entities is not self-sufficient; It interacts with the system of economic security of the relevant industry. The extent of this integration depends on the characteristics of the partnership relations between the industry enterprises, the degree of trust, the nature of the activity, etc.

2. The system of economic security can not be standardized within the industry. But the subjects of the system of economic security, as a rule, seek to unify its components. The main motive for this approach is to reduce the cost of its operation.

3. The economic security systems of business entities have unique elements. This is primarily due to the uniqueness of the internal environment of each enterprise and its external environment.

4. The system of economic security of economic entities is relatively independent. Individual tasks of economic security are decided collectively or administratively at the level of the industry or association.

5. In a routine competitive environment, the enterprise security service is often involved in an active response to the security service of competitors and their intelligence units. In an integrated business entity, the economic security services of individual entities are partners and jointly oppose competitors by combining their potentials.

6. The system of economic security of business entities is complex - it combines the economic, scientific, technical, personnel, intellectual, environmental, information, physical and other components of economic security. Each of these components is a reflection of the functions implemented by business entities. And for the implementation of these functions, in practice, different organizational structures of management are provided. Organizational structure is a set of bodies and subjects of management and their definite interrelation, which ensure achievement of strategic, tactical and current goals of the subject of economic activity [1, p. 210].

Organizational structure of the subject of economic activity is formed in relation to the requirements of long-term security of economic security.

According to the Economic Code of Ukraine, enterprises are divided into three groups - small, medium and large [2]. At small enterprises, such a service may be absent. And the functions of securing economic security are assigned to its managers and employees. The coordinator of the action on ensuring economic security is the head of a small business.

In the medium sized enterprises, the internal entity of economic security is the head of the department (bureau), which is subordinated to the service of economic security.

At large enterprises, the management body is the Department of Economic Security, whose director is Deputy Director or Vice President of the company, Head of the Economic Security Service. In Ukraine, the best-performing functions and organizational structure of management to ensure the economic security of banking institutions and insurance companies.

In the conditions of the unpredictability of the development of national markets in Ukraine, the strengthening of competition between producers and the increase in economic crimes, it is necessary to create effective services for the economic security of enterprises. The main tasks of such services are:

- interaction with law enforcement and security services of other companies and the exchange of information between them;
- carrying out activities aimed at revealing, preventing and eliminating the most diverse types of abuses and fraud;
- development of methodological materials on issues of financial and economic security and protection of confidential information.

The security service of a modern manufacturing enterprise should work in such basic directions:

- 1) preventing and detecting thefts of the company's finances, partners (brokers, assistants, etc.), «financial» abuse of personnel;
- 2) protection of the legitimate interests of the enterprise from illegal actions of state bodies and unscrupulous competitors;
- 3) ensuring the economic security of the enterprise through professional staff recruitment, selection of partners, assistance in settlement of claims;
- 4) prevention facts of illegal insurance payments.

The main factors for the effectiveness of the functioning of the security service of a modern enterprise are its efficiency, flexibility and mobility.

Taking into account the results of the analysis of the activities of domestic industrial enterprises, the economic security service should consist of the head of the economic security service, his deputies, relevant economic security specialists and the enterprise security unit. Consequently, the service of managing the economic security of a modern production enterprise can be formalized by the analogue analog model, which is shown in Fig. 1.

According to the above model, at the enterprises the economic security service should be headed by the head of the economic security service (ESS). He submits to the head of the enterprise and executes only his orders and orders. The functions of the ESS head of the enterprise include: personnel recruitment, periodic inspection and control of personnel, development of the strategy of economic protection of the enterprise, participation in the development of corporate plans, and organization of enterprise protection against threats coming from both internal and external environments.

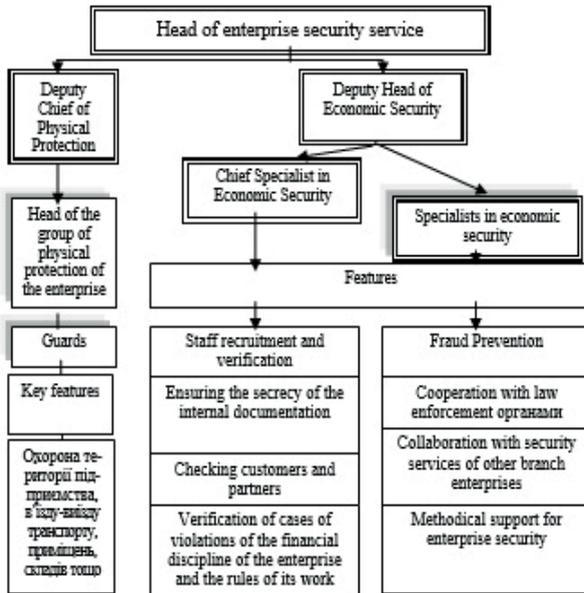


Fig. 1. The analog model of the organizational structure of the service of economic safety of the manufacturing enterprise

As practice shows, there should be two deputy head of the service for the organization of the proper SEB in the enterprises - the deputy head of the physical (force) security company and the deputy head of economic security. The head of the security group with a certain number of security guards will be subordinate to the deputy head of the physical security guard of the enterprise (their number is set depending on the enterprise's territory, the number of internal security objects and the entrance gate). In turn, the chief economic security specialist and specialists will be directly responsible for economic security (their number is determined mainly depending on the scale and activities of the enterprise).

The main functions that will be implemented by the enterprise's economic security service should be indicated on the following:

- participation in recruiting and checking staff;
- ensuring the secrecy of internal documentation;
- verification of clients and partners;
- verification of violations of the financial discipline of the enterprise and the rules of its work;
- prevention of fraud as a side of employees of the company, and clients, partners;
- cooperation with law enforcement agencies and security services of other sectoral enterprises;
- methodological support for the security of the enterprise, which is essential for the organization of effective economic security, its planning and control.

The latter function is based on the methods and guidelines used by the enterprise to establish an acceptable level of economic security. Such methods and recommendations are the basis for monitoring the state of economic security, carried out for the purpose of operational intervention to ensure its proper level.

Considering all the above, it can be stated that the construction of a clear system for managing the economic security of modern industrial enterprises should be carried out by creating appropriate specialized services. In addition, it is important that the formation of a system for managing economic security of enterprises requires management to develop an appropriate plan. On this topic Boyko V.V. notes that «this process is gradual and consists of several main stages» [3]. From our point of view, the stages of the process of building an effective economic security management system (ESMS) of modern industrial enterprises should be: preparation, diagnostics, organization and formation of the system of the specified type.

The stage of preparation for the creation of a system for managing economic security will include the following types of work: gathering information about threats coming from the external environment and internal environment of the enterprise, and the potential risks; monitoring of external, intermediate and internal environment;

The diagnostic step in itself combines the following types of work: analysis of collected information about threats and risks, establishment of the main threats and risks for the enterprise generating the external environment, assessment of economic security on a fixed set of indicators.

The organizational stage is aimed at choosing the areas for strengthening the economic security of the enterprise and identifying the respective authorities and centers of responsibility. The last stage has the task of directly creating a system for managing the economic security of the enterprise.

For greater clarity, we present a schematic representation of the algorithm for the formation of a ESMS modern production plant (Fig. 2).

Significant properties of the management system of economic security of the enterprise are its flexibility, adaptability, and efficiency. ESMS is designed to provide

an operational response to changes in the economic environment and the ability to quickly adapt to its new conditions. This is possible only with the establishment of an appropriate economic security service with an appropriate organizational structure.

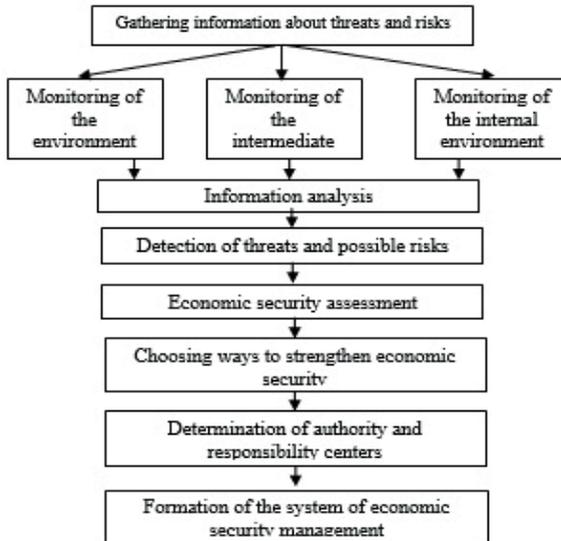


Fig. 2. Algorithm of forming a management system of economic security of a modern production enterprise

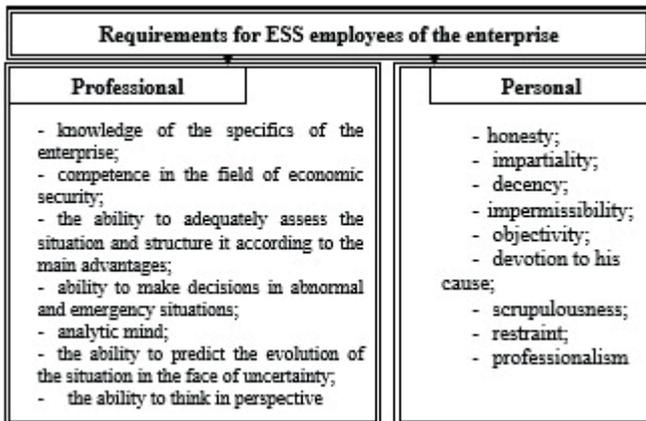


Fig. 3. Requirements for ESS employees

The service (department) of the enterprise’s economic security is a specialized

unit that is part of its organizational structure. The activity of such a service is aimed at forming an appropriate level of economic security and neutralizing the main threats and risks, which can be expected at the enterprise in the process of carrying out its economic activity within a certain period of time [3, c. 78].

An important aspect of the issue under consideration is that the effective operation of the company's economic security service requires proper staffing. The specialists of this service must have sufficient level of qualification in the defined area of activity and meet specific professional and personal requirements (Fig. 3).

In conclusion, it should be noted that when creating an economic security service, domestic enterprises will face difficulties due to the lack of: 1) specialists in economic security with knowledge of industry specifics; 2) methodical recommendations, the choice of optimal number of specialists, which can vary depending on the size of enterprises and the scale of their activities.

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# MARKETING SYSTEM OF COMPETITIVENESS AS A KEY TO ECONOMIC SECURITY

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The deepening of market relations in Ukraine, the formation of an innovation-oriented system of national or regional economic development, and the strengthening of the interaction of market mechanisms with the socio-economic levers of preemptive development takes place in conditions of intensification of the competitive struggle between countries and their regions, mainly for resources of a strategic nature, the priority of which is financial, intellectual, informational and innovative. The question of effective provision of marketing competitiveness of agricultural enterprises, the peculiarities of their market organization, the practical application of balanced marketing tools, taking into account the specifics of the industry, need to be adapted to the current stage of economic development and further scientific substantiation. This is explained by the fact that increasing the complexity of the market as a whole and the behavior of each entity in particular leads to the need to revise the effectiveness of existing and develop new, more effective in a dynamic environment of marketing activities and programs within the marketing concept of the organization. The urgency of these problematic issues, the need for a systematic study of the theoretical, methodological and applied aspects of marketing support for the competitiveness of agricultural enterprises led to the choice of the topic of the article.

Defining your place in a competitive environment is the first and one of the most important steps in managing the competitiveness of an enterprise. The decision of this task requires the enterprise to search for scientifically sound and reliable methodological tools for conducting an assessment of its own competitiveness in relation to its competitors. Mistakes in choosing such a technique can lead to an incorrect assessment of the company's own competitive capabilities and capabilities of competitors and, consequently, the adoption of incorrect management decisions. Effective enterprise management in a competitive environment is impossible without continuous monitoring of the situation in the target segment of the market, forecasting of possible actions of competitors, assessment of its own competitive position of the enterprise.

Competitiveness is a complex economic category that characterizes the ability of an object to withstand competition in comparison with similar objects in a given market [1].

In relation to a particular enterprise competitiveness can be considered as the

ability of the company to achieve the established development goals in the face of countering competitors, to lead them with a successful struggle for markets for the sale of goods and services.

Accordingly, its assessment can be made by comparing the individual characteristics of the enterprise with similar characteristics of its main competitors, the results of which must be expressed by a specific indicator or system of relevant indicators. In such a situation it is expedient to define the concept of the level of competitiveness, which is an indicator that gives a relative indication of the company's ability to succeed in competition.

Thus, competitiveness is a characteristic of the state of the enterprise, and the level of competitiveness is an indicator of this state, which reflects the degree of advantage of the aggregate of the evaluation characteristics of the enterprise's activities with respect to its main competitors.

Unlike other economic categories, competitiveness is characterized by a number of specific properties that should be taken into account when determining the level of competitiveness of an individual enterprise. First of all, the main properties of competitiveness are its relativity, dynamism, complexity and prognostic nature.

The relative competitiveness is manifested in the fact that it can be determined only with respect to a particular object of market relations and in the context of a specific market or its separate segment. The consideration of this property in the process of assessing the competitiveness of an enterprise involves the concentration of attention on such fundamental points.

Firstly, competitiveness is not an absolute characteristic of the enterprise's potential, but manifested only if its market is evaluated. Therefore, in order to ensure competitiveness, the company does not necessarily have to be absolutely the best in the market. His efforts should be aimed at achieving superiority over their main competitors.

In this regard, it is rather controversial to determine the competitiveness of the enterprise as the ability to offer the market goods and services that are in high demand [2] or as a measure of the effectiveness of the enterprise [3]. A low-performing enterprise may also be competitive if its competitors prove to be less effective.

Secondly, one and the same enterprise can be competitive in the context of a specific market or its segment and not competitive in another market characterized by another competitive structure.

Third, an important point in assessing the competitiveness of an enterprise is the identification of the territorial boundaries of the market, on which it operates and the allocation of a range of priority competitors, which constitute the greatest threat to the enterprise. Mistakes in the realization of this task can lead to artificial expansion of the scale of competition and incorrectly adopted strategy of competition.

The dynamism of competitiveness is due to the fact that it is not an inherent characteristic of the enterprise, but it determines its state only at a particular time

point or a separate time period for which the research is conducted. Thus, with constant characteristics of the enterprise activity, even for a short period of time, the level of its competitiveness can vary significantly, as a result of changes taking place in an external competitive environment. Therefore, ensuring the validity of the results of the assessment of competitiveness implies its orientation for a period of time during which the market situation, the main capabilities of the company and its priority competitors remain relatively stable.

In fact, the assessment of competitiveness involves fixing the results of the competitive struggle of the enterprise in the form of competitive advantages and disadvantages compared with competitors. On the other hand, one more specific feature of competitiveness is its prognostic nature. As already noted, competitiveness is a relative characteristic of the company's ability to withstand competition in comparison with similar enterprises in this market. In other words, it describes the potential ability of an enterprise to successfully compete. Accordingly, the assessment of competitiveness - is, first of all, the forecast of the results of the enterprise's participation in economic competition.

In this regard, the conduct of an assessment of the competitiveness of the enterprise on the basis of the results achieved by it, or on the basis of the indicators themselves, characterizing the actual results of competition from the methodological point of view, is not entirely correct. The conclusion that a company is more competitive, based on the fact that it is already competitive, is not very meaningful and is nothing more than a simple extrapolation of the current result for the future period [4].

Competitiveness is, first of all, a product of market competition, the result of which is the actual manifestation of the potential of the enterprise. These opportunities can be either realized or not realized by the enterprise, due to the influence of the factors of the external competitive environment. Consequently, competitiveness characterizes the actual level of enterprise implementation of its overall competitive potential to fight competitors and achieve competitive advantages [5].

Therefore, an assessment of the competitiveness of the enterprise should take into account not only the calculated competitiveness indicator, which accumulates the value of the actual results of the competitive struggle of the enterprise, as well as the assessment of its competitive potential, which characterizes the ability of the enterprise to provide competitiveness at the expense of existing competitive opportunities which, with some managerial influence and favorable competitive situation can be transformed into factors of stable competitive advantage.

An important feature of competitiveness is its complex nature. Competitiveness systematizes the various aspects of the enterprise. Therefore, its estimation is reduced to the solution of the multi criterion problem, which is characterized by a certain number and structure of the criteria. In general terms, an assessment of competitiveness involves identifying the factors of competitiveness that provide the fullest coverage of the main properties of the research object, the choice of

indicators that characterize them and the methodical tools for processing these indicators.

As already noted, competitiveness as a complex multidimensional phenomenon can be described by a large number of indicators, which, depending on the assessment conditions, can range from several dozens to hundreds. Therefore, the validity of the results of its assessment to a large extent depends on a well-established system of indicators.

One can distinguish the following basic requirements for the formation of a system of indicators for assessing the company's competitiveness: reliability, completeness, accessibility, relevancy, balance, comparability, objectivity, quantitative expression, the existence of a general definition.

The requirement of reliability implies ensuring the validity of the results of the evaluation for each of the indicators. Only integral indicators that have a direct impact on the level of competitiveness of an enterprise should be included in the method of calculating integrated competitiveness. All other indicators should be excluded from consideration.

Completeness envisages ensuring the most comprehensive coverage of the object being investigated.

The main criterion for forming the nomenclature of indicators for assessing competitiveness should be the attempt to achieve the fullest possible characteristics of the competitiveness of the enterprise.

Of course, an increase in the number of indicators leads to an increase in the reliability of the evaluation results. However, it is important to understand the fact that, with the existence of a slight difference in the calculated values of the competitiveness indicators of enterprises, the analysis of the choice of different numbers of them can lead to different evaluation results.

In this situation deserves attention made by Professor H. Faskhiev study of the influence of the number of indicators on the result of assessing the quality and competitiveness of objects [6]. According to the author, an increase in the number of accepted indicators for evaluation can lead to a change in the location of comparable objects. In this case, the ranking of objects by the results of evaluation of 20-and less indicators is not recommended, because it can lead to false decisions. For reliable evaluation of objects the author recommends to accept not less than 40 individual indicators.

But here one should take into account another important point. Excessive detailing of the nomenclature of indicators can lead to an increase in the cost of conducting the assessment procedure itself, which may exceed the magnitude of the economic effect of the assessment.

The calculation of individual indicators of competitiveness requires the availability of a large amount of information, a large part of which is confidential. In such a situation, the availability of information for all factors of competitiveness is important. The system of indicators of competitiveness assessment formed at

the enterprise should cover only those indicators, the information on which can be obtained by the results of the analysis of official statistical reporting and marketing research conducted.

The requirement of relevance implies ensuring that the indicators used to assess the competitiveness of the enterprise are fully consistent with those factors of competitiveness that they assess.

The imbalance of the system of indicators of competitiveness assessment established in the enterprise implies their optimal combination, in order to avoid duplication of indicators and exclude the effect of sub optimization; that is a situation where the provision of a competitive preference for one indicator leads to deterioration of others.

Objectivity involves the orientation of the process of choosing indicators for assessing the competitiveness of the enterprise only for objective information, with a maximum exclusion from the assessment of the subjective factor.

Importance for the assessment of competitiveness is to fulfill the requirement of comparability of the indicators included in the system. This, above all, involves taking into account the possibility of existence at enterprises disagreements in methodological approaches to the definition of individual performance indicators, which negatively affects the competitiveness indicator of the enterprise.

All indicators included in the assessment of the competitiveness of an enterprise should be quantitatively measurable. However, it should be noted that in practice most of the indicators proposed for an integrated assessment of competitiveness can only be obtained in a verbal form, requiring the use of additional tools for translating verbal information digitally or, in general, eliminating individual indicators from the process of assessment, which negatively affects on its results and the reasonableness of managerial decisions.

In addition, since the system of indicators for assessing competitiveness is intended for the general assessment of various functions of the enterprise, all the indicators included in it should have a clear fixed value, which allows determining the contribution of individual of them to overall success, that is, ensuring competitiveness.

An important stage in constructing an integral indicator of enterprise competitiveness is the choice of a model for summing up the values of the indicators of the research object, that is, converting them into a specifically formulated one-dimensional indicator, reflecting multidimensional information.

Thus, according to the results of the conducted research, competitiveness as an economic category is characterized by such specific properties as relativity, dynamism, complexity and prognostic nature. The necessity of their inclusion in the process of assessing the level of competitiveness of an individual enterprise is substantiated.

It is proved that the assessment of competitiveness should take into account not only the calculated level of its level, which accumulates the value of the actual

results of the competition in the form of competitive advantages and disadvantages of the enterprise, as well as the assessment of its competitive potential, which characterizes the ability to provide competitiveness at the expense of the existing competitive ability of the enterprise.

The necessity of using a multi-criteria approach to assessing the competitiveness of the enterprise is substantiated. The list of the main requirements for the formation of a system of indicators of competitiveness assessment and the choice of a model for the summing up of these indicators in a one-dimensional integral indicator of competitiveness is given.

The prospect of further research in this problem is the development of a system of indicators for assessing the competitiveness of the enterprise, which would meet the basic requirements of the system and integrated approaches to solving a complex economic problem, which is the assessment of competitiveness.

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# MANAGEMENT OF SANATION INNOVATIONS AS A PART OF ECONOMIC SECURITY INDUSTRIAL AND FINANCIAL GROUP

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Shaping theoretical and methodological foundations of good governance of sanitation innovations to provide economic security of industrial and financial groups (IFG) is directly related both to the problem of interpreting the term “sanitation innovations of the IFG”, defining stages of implementation in the IFG of innovations in the context of the reorganization management, and the problem of conducting of sanitation research on the innovation development of IFG in the system of economic security.

The economic security of enterprise consisting IFG has a link with the implementation of the sanitation management in the association of enterprises, which determines the relevance of developing both the relevant theoretical and methodological support, as well as the implementation of practical measures.

Problems of regulation, innovation development and management of sanitation process at enterprises were directly or indirectly investigated by domestic and foreign scientists, among them [2; 3; 5-7; 10]: Altman E.I., Blank I.A., Beaver U., Balabanov I.T., Vasilenko V.O., Zabrodsky V.A., Kizim M.O., Korotkov E.M., Kuzmin O.Ye., Pererva P.G., Pushkar A.I., Sukhareva L.O., Smith R.I. (methods and dominants of sanitation management), Barton L., Porter M., Raevnev O.V., Tishchenko O.M., Tridid O.M., Shershnyova Z.E. (strategies for the development of enterprises in a crisis), Alekseev I.V., Moroz A.M., Zveriyakov M.I., Karlin M.I., Zayats T.A., Omelyanovich L.O., Poddierogin A.M., Peresada A.A., Tereshchenko O., Cherep A.V. (financial and credit support of activity of enterprises in case of violation of their financial equilibrium), etc.

The work of the listed researchers directly or indirectly confirmed the effectiveness of the entrepreneurial innovation activity in providing information, planning and forecasting, analysis and control, internal-focused auditing and consulting for anti-crisis programs of enterprise development. However, a number of issues, among which the development of methods and directions for the implementation of sanitation management of innovation in the context of the economic security of IFG, remain unresolved and require further research.

The purpose of the study is to ensure the economic safety of the IFG by

improving the mechanism of management of sanaton innovation.

To solve the problems of the economic security of IFG, due to the effective management of innovation in the conditions of sanation of IFG, it is necessary to develop both theoretical and methodical principles for financial and credit regulation of innovative transformations of IFG, management of innovative risks in IFG, diagnostics of emerging crisis phenomena under the innovative development of IFG, and to propose ways of implementation of these measures at the level of enterprise associations.

It is important to clarify the conceptual apparatus, among which the key concept is the content of the category “sanation innovations”. According to the Encyclopedic Dictionary of Economics [10], innovations are significant capital-intensive and high-tech novations in human development (the main productive force), engineering, technology, science, computer science, and subjects of labor. Innovations are interdisciplinary in nature, requiring significant risky investments, infrastructure development, and comprehensive support from the state.

Analyzing scientific sources [1; 3-9] it was established the need to introduce into the scientific terminology the new concept of «sanation innovations in the IFG», under which we propose to understand not only technical and technological developments, but also new products, new services of financial and credit, insurance, investment, trust, leasing character, as well as new favorable conditions for both clients and the IFG, which allow to improve the activity of IFG to ensure the efficiency of sanation.

It should be noted that the IFG provides more favorable conditions for the development and implementation of various innovations than in the case of an individual participant of the investigated association, since it is easier to finance IFG, provide material support for researches and accelerate the implementation of new developments.

In this regard, in IFG, innovations serve as the basis for strategic planning, that is, one of the functions of controlling, which is used in anti-crisis (sanation) management. Strategic planning of IFG activities is carried out using special techniques, appropriate methods, certain mathematical models, etc. In the strategic directions of sanitary activities of the IFG, firstly, active actions are envisaged in relation to the modernization of equipment, the introduction of new technologies, effective marketing, price adjustment, the search for new product markets, and secondly, the financial problems of a separate entity of the IFG are delegated to third parties, owners, creditors, the state, while the participant may receive additional financial resources by increasing the authorized capital, obtaining of government guarantees and so on.

We propose to the stages (directions) of the implementation of innovative changes in the IFG in the conditions of carrying out the sanation (see Figure 1):

1. Formation of an innovative idea and research of possibilities of its practical realization in conditions of sanation (formation of innovative ideas is possible in the

industrial, trading, financial and credit departments of the IFG, in particular, and in the integrated association, in general).

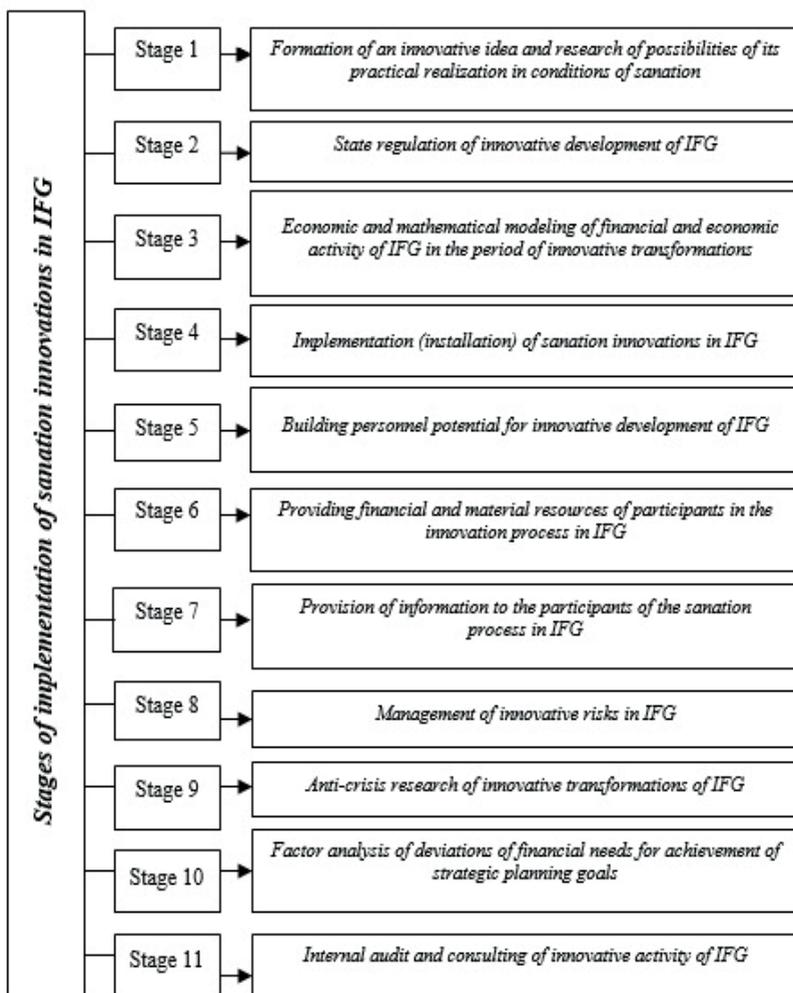


Fig. 1. Stages of implementation of sanitation innovation in IFG

*Note: proposed by authors*

2. State regulation of innovative development of IFG (coordination of strategic plans of innovation transformations in IFG with legislative and regulatory acts and programs of state and regional innovation development; conducting state expertise of scientific, technical and innovation programs and projects for ensuring qualitative and independent evaluation and selection of proposed for consideration objects).

3. Economic and mathematical modeling of financial and economic activity of IFG in the period of innovative transformations (use of methods of economic statistics, predictive-analytical, mathematical-statistical and others for the estimation of financial and economic activity of IFG during the period of innovation transformations).

4. Implementation (installation) of sanitation innovations in IFG (ensuring the realization on the domestic and foreign markets for newly created types of services and products; implementation of sanitation innovations, which includes marketing, exhibition and advertising activities, patent and licensing work and protection of intellectual property, etc.).

5. Building personnel potential for innovative development of IFG (creation of the institute of innovations IFG, interaction of IFG on a contractual basis with institutions of higher education or institutes of the National Academy of Sciences, training and retraining of personnel for innovation activities, including the training of individual scientists, specialists and managers).

6. Providing financial and material resources of participants in the innovation process in IFG (financial and banking services for innovation processes in the IFG on the basis of the established financial strategy that takes into account the peculiarities of the production, personnel, technological, marketing, social, environmental components of the overall strategy for the development of IFG or the plan of sanitation).

IFG is an association of non-financial corporations with credit and financial institutions, within which it is possible to redistribute financial resources in favor of enterprises that are at the stage of innovation transformation. That is, temporarily free funds in one company, subject associations in IFG, can be used to cover the deficit in cash other members of the association, because the movement of their capital and turnover rate are different.

It saves money because it does not involve outside debt capital. In addition, temporarily free funds of enterprises already in the role of financial and credit capital can be used for the issue of securities, currency transactions, loans, etc. It should also be noted that the redistribution of cash through securities transactions is provided by such active participants of the IFG and the stock market as: investment companies, banks, insurance and trust companies, etc. Their main functions are: efficient management of stock values, reduction of financial risks during investing, issue securities, etc.

7. Provision of information to the participants of the sanitation process in the IFG (creation of the best sources of information in the IFG).

The sanitation process of the companies involves the use of various types of economic information based on mathematical information theory and uses methods for determining and estimating the amount of information.

On the basis of mathematical information theory, the processing and use of scheduled, normative, statistical, accounting, operational sources of information is

carried out. The creation of rational information sources for IFG is based on the following principles:

1) the identification of information needs and the determination of ways how effective their satisfaction;

2) the objectivity of the processes reflection of production, circulation, distribution and consumption, the use of natural, labor, material and financial resources;

3) the unity of information from various reporting sources (accounting, financial, tax, statistical and operational reporting) and planned data;

4) the elimination of duplication of primary information;

5) accelerating the provision of information through the use of new means of communication, etc.

8. Management of innovative risks in IFG (calculation of risk and determination of the relationship between size and efficiency using specific strategies, which is one of the criteria for making a decision in favor of a particular strategy of innovative development of IFG).

Innovative risk is a risk arising from decline in the quality control of the processes of creating and introducing new products, services and limiting sources of funding scientific research. The likelihood theory is used to estimate the risk level.

9. Anti-crisis research of innovative transformations of IFG (the development of theoretical principles and methodological support for the diagnosis of crisis and their emergence in the innovative development of IFG, as well as the implementation of these measures at the level of associations of enterprises of financial and industrial capital).

The need for anti-crisis management of IFG occurs not only in the sustainable economic development of integrated groups, but also in the implementation of innovative transformations.

10. Factor analysis of deviations of financial needs to achieve of strategic planning goals (the assessment and analysis of financial needs for the achievement of the strategic planning goals of innovative activities of the IFG, the identification and evaluation of the factors leading to deviations, and proposals for overcoming negative factors and weaknesses).

11. Internal audit and consulting of innovative activity of IFG (establishment of inadequate costs arising from the innovative activities of the IFG).

The main task of internal audit is to oversee costs of IFG and establish the limits of their adequacy. Internal audit is an independent expert activity of the IFG Controlling Service for verifying and assessing the adequacy and quality of the staff duties. The Controlling Service provides consulting services during the developing methodological support for the innovative development of individual units of the IFG, preparing ordered by leadership conclusions and recommendations for solving IFG problems, etc.

Comprehensive rehabilitation of the industrial and financial system of Ukraine

can be realized through the creation of a IFG, to which should involve the various economic entities that are in temporary crisis. IFGs are able to accumulate a significant capital to carry out their own activities. This will provide sanation measures necessary resources on the insolvent company.

Thus, to create economic security IFG through effective management of innovation transformations in terms of sanation IFG it was developed the theoretical and methodical principles of regulation of innovative transformations of IFG, management of innovative risks in IFG, diagnosing the crisis and their occurrence in the innovative development of IFG. It was also proposed to introduce these measures at the level of associations of financial and industrial capital companies.

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## **MARKETING INNOVATIONS AS A PARTICULAR COMPOSITION OF THE PROCESS OF MANAGEMENT OF INNOVATIVE ACTIVITIES AND COMPETITIVENESS OF ENTERPRISES: SAFE ASPECTS**

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Modern business conditions dictate the need for quality and speed of innovation implementation in order to maximize customer satisfaction. Innovation in modern conditions is a factor that allows an enterprise to maintain market positions in a harsh competitive environment. According to the research data [1], the domestic industry according to the level of technology is three times less than the European Union countries, the level of high-tech exports is lowered by 4-8 times, and the level of energy efficiency of exported products - 10 times. Accordingly, in European countries, the GDP growth rate is 60-90%, while in Ukraine it is only 0.7%. An important fact that influenced such a picture is that over the period 1991 - 2017 the number of domestic researchers decreased by 35%, the development of new types of equipment and technologies - by 14 times, and the number of innovative industrial enterprises - by 5 times. What is stunning under these conditions is that Ukraine is the leader among the European countries in the number of graduates of engineering specialties (Fig.1).

Despite such indicators, they receive the lowest wages in Europe. The level of salary in the IT sphere is shown in Fig. 2

A similar situation is observed for all professions in the manufacturing sector (Fig. 3).

Analyzing the situation shown above, it can be argued that in the world leaders-leaders, the leadership realized the need to promote the development of technology and technology, while in Ukraine - this area is given too little attention. For the

period of 1998-2013, research expenditures in Western countries increased by 100%, in South Asia - by 350%. It is important to note that the vast majority of these money is invested not by the state, but by business. That is, companies in the world every year are increasingly spending on innovation.

As noted in the paper [3], the process of enterprise innovation is an integrated combination of science, technology, economics, management and entrepreneurship.

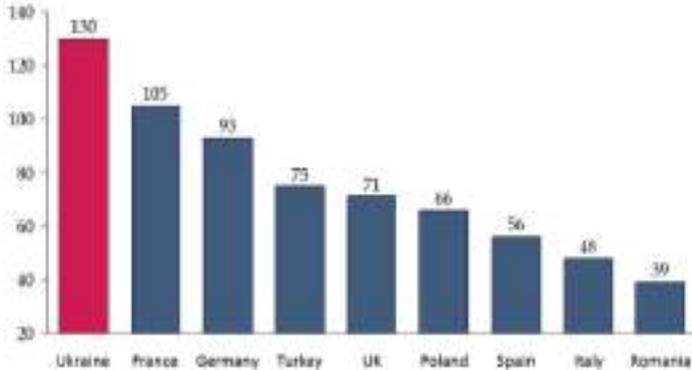


Fig. 1. The position of Ukraine in the number of graduates of engineering specialties among European countries (as of 2014), thousand students Source: [2]

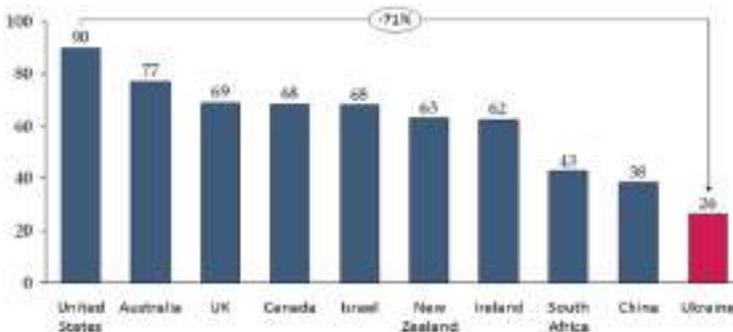


Fig. 2. The level of wages of IT professionals in Ukraine in comparison with world leaders (as of 2014), thousand dollars / year Source: [2]

The essence of innovation is to get an innovation that will enable the company to gain new competitive advantages. In order to ensure the effectiveness of the innovation received, it is necessary to implement a series of measures aimed at its commercialization. Achieving success in this activity is possible provided the company has a high level of adaptability and flexibility to the rapidly changing

environment. Countering the negative impact of the environment will help stabilize the level of economic security of the enterprise and create the basis for a stable functioning with the prospect of developing effective measures to neutralize the threats. Marketing activity has a dominant influence in promoting the innovations of an enterprise in a specific market.

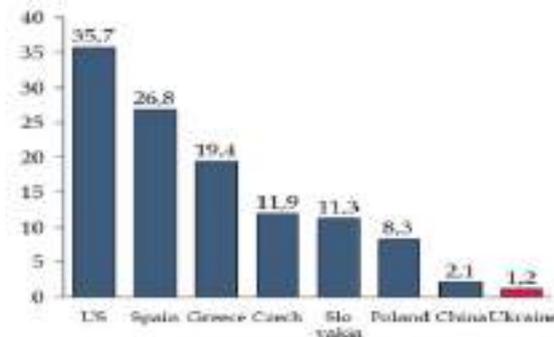


Fig. 3. Wage level in the world (as of 2014),  
*hourly labor costs in industry (dollars) Source: [2]*

The main reason for the activation of innovation activity to receive new or improved products by enterprises is the constant change in market and consumer needs. Analyzing the research [4], we can establish the fact that 72% of the rapidly implemented innovations in the market were stimulated by demand, that is, their appearance was facilitated by government orders, production needs of the manufacturer directly, as well as market needs. It is logical that in the world practice of 100 successful innovations:  $\frac{3}{4}$  is the producer's reaction to the needs of consumers, only  $\frac{1}{4}$  is the result of the introduction of new developments in the market for R & D. Domestic practice of innovation activity testifies that only  $\frac{1}{5}$  of innovative developments are positively perceived by consumers and get their place in the market. Instead, the global trend is quite different, so in Japan this figure is 68%, in the US - 52%, in Poland - 30%.

An analysis of the reasons for the failure of the promotion of innovative products by domestic innovators to the market indicates that 32% is related to incorrect or incomplete assessment of market requirements.

Achieving the desired level of competitiveness and level of economic security is possible provided that the company develops and implements innovations, as well as realizes a marketing mix that will promote the most effective promotion of innovative products (services) on the market (Figure 4).

The peculiarity of promoting innovative products to the market is that this process requires the development of specific techniques, since traditional marketing tools do not provide the expected results. This is due to the following reasons:

- specifics of market analysis for new and improved goods, in particular, if they are aimed at satisfying hidden (latent) needs or in general forming new needs (radical innovations);
- the complexity of the orientation of production to meet consumer needs, which has a probabilistic (fuzzy) assessment;
- complexity of choice of optimal methods of formation of primary demand and its further stimulation, development of pricing strategies for innovative products (services), formation of the system of sales of innovative products [6; 7, p. 183].

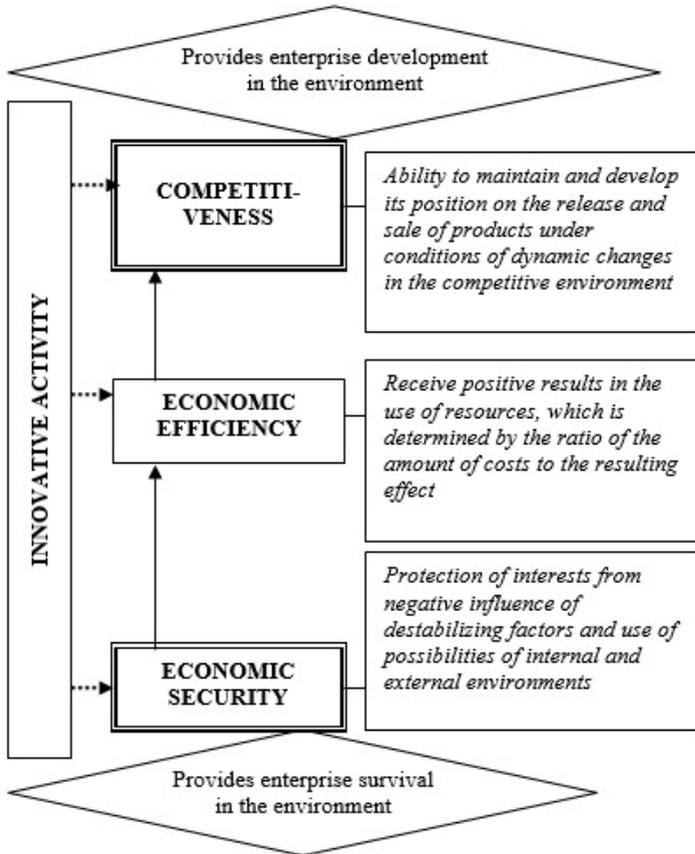


Fig. 4. Influence of innovation activity on economic safety, economic efficiency and competitiveness of enterprises  
 Source: author's development on the basis of [5]

Marketing of innovations is a multicomponent concept and should be interpreted as:

1) the concept of market activity of the enterprise, a kind of philosophy of business, according to which the possibility of obtaining income directly proportional to the activity of using innovations;

2) analytical process, which provides for the possibility of identifying market opportunities for innovation development;

3) a means of active influence on potential consumers and the target market in general, which involves the output and promotion of innovations on the market;

4) the function of innovation management, aimed at determining the direction of innovation activity and methods of commercialization of innovative products (services). It is worth pointing out that innovation management is defined as a function of marketing of innovations, which is aimed at realizing the achievements of science and technology in new products (services) that can satisfy the needs of consumers and at the same time ensure the profit of the producer (seller);

5) the means of orientation of the individual economic entity, and the national economy as a whole for innovation development [8].

To effectively implement the commercialization of innovations it is necessary to structure the process for a sequence of stages (Table 1).

*Table 1*

### **The process of commercialization of innovations**

<b>Stages</b>	<b>Characteristic</b>
Analytical and strategic	market research, analysis and evaluation of marketing opportunities of the enterprise, market segmentation and selection of target segments, development of marketing strategies
Development of a marketing complex	solutions are being developed regarding further commodity policies, price levels, distribution channels and levels of service, system of product promotion
Organization and management of marketing	creation of a marketing service, functioning of a marketing innovation system, management of marketing activities

*Source: [6]*

On the basis of the research conducted, and taking into account the recommendations [9], it is possible to identify a number of features that are inherent in the market for innovative products, in particular:

- the market is different that the supply is far ahead of the demand for innovation. In essence, it is a seller's market that must convince the buyer of the expediency of acquiring his product.

- the market is characterized by high psychological barriers to the perception of innovative products by consumers.

- the capacity of the market depends on the state of the economy on the «macro» and «micro» levels and its activity with respect to innovations.

- the market of innovations is inherent in a global character.

- unlike ordinary platforms, innovative products do not have a definite place and

channels of sales.

- innovative products are purchased exclusively by professionals (excluding mass consumer goods), and in dialogue with them important competence and special terminology.

- this market is diverse in the variety of goods whose purchase / sale is specific, for example, the use of final results by a co-seller and buyer.

- functioning of this market is carried out in a coordinated interaction of financial, informational and organizational components.

- the subjects of this market (technoparks, research institutes, enterprises and others) are forced to perform their unusual functions, due to the lack of development of the market of innovations and the complexity of communications.

- efficiency and attractiveness, as well as the degree of risk of innovative products is difficult to establish, as they are difficult to predict until the moment they are put into operation. The same reason is compounded by the uniqueness of the product.

- the presence of authorship on innovative products (industrial property or intellectual property) determines their exclusive personification, which depends on subjects of innovation activity (their talent, knowledge and experience).

In some cases, these objects have the ability to multiply, that is, unlimited exchange, for example, licenses.

Taking into account the above mentioned peculiarities in the marketing of innovative products will help to select the most optimal methods for its promotion, which will allow innovative enterprises to achieve the desired profitability indicators and thereby ensure a high level of their own economic security.

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## **STATE LEVEL FINANCIAL SUPPORT FOR DEVELOPMENT OF SMALL ENTERPRISES IN THE CONTEXT OF ECONOMIC SECURITY: FOREIGN EXPERIENCE AND NATIONAL REALITIES**

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Small business is an integral part of a modern economic system, without which the economy and society are not able to exist and develop normally. In the conditions of the economic downturn and crisis phenomena, the importance of a number of functions of small business units is intensifying. In particular, the importance of social function increases, which manifests itself through the employment of a significant part of the population of the country. Also, the functions of increasing the mobility and effectiveness of the national economy are realized through a system of powerful motivational incentives, smoothing of conjectural fluctuations and realization of innovative potential for small business.

Despite its flexibility and the ability to rapidly transform itself into a changing economic environment, small business remains extremely vulnerable to financial crisis. This, first of all, relates to the system of financial support for the activities of small businesses, which in comparison with medium and large ones have rather limited opportunities to attract financial resources. In today's operating conditions, a situation where the only source of financing for a business is a profit of a small enterprise, which is also influenced by many negative factors. Fundamental foundations for studying the peculiarities of the activity and development of small

businesses in Ukraine are laid down in the works by Baranovsky A., Varnaliya S., Grineva V., Danilenko A., Drygi S., Yekhanurov Yu., Lomachinskaya I., Mocherny S., Pavlov V., Prokopenko N., Reverchuk S., Sabluk G., Slavyuk G., et al. The research on the organization of the system and mechanisms for financing small business from various sources is devoted to scientific by Apostolyuk A., Bannery N., Botsyori L., Buryak L., Dolbneva D., Kalmykova O., Kutsyk A., Oleynik K., Petrik I., Skoryk M., Chopko N., Chui I., Yaremchenko L. and others.

Highly appreciating the contribution of scientists to the formation of the scientific base of the organization and improvement of the small businesses financial support, we note that there are a number of issues requiring further scientific substantiation, in particular, there is a need to determine the role of the state in solving the issue of financial support for the small entrepreneurship development in Ukraine.

All the above mentioned influenced the wording of the purpose and objectives of the article: the definition of financial support of small enterprises at the state level.

In modern conditions, the state and local self-government bodies allocate insignificant volumes of resources for financial support of small business entities. Among the main reasons for this situation, scientists call the lack of legislative regulation of relations between the state and local self-government, on the one hand, and small enterprises, on the other (Burlutkin, 2012). In our opinion, the main reason is reduced to a lack of financial resources in budgets of different levels, and then - to the imperfection of the institutional environment.

Regardless of what is the main reason and what is of secondary importance, the issues of state and regional financial support do not lose their significance. During the establishment of the system of economy state adjustment in Ukraine, the system of state financial support was formed as a certain integral structured set of functions, principles, methods and mechanisms (Fig. 1).

At the same time, the existence of a number of problems concern to the effective implementation of state and regional financial support for small businesses, explains an urgent need to improve it. In this context, it becomes necessary to take into account foreign experience about a system of state financial support development: access of small business to cheap financing; the ability of the state and financial institutions to finance and co-finance loans; provision of state guarantees for loans.

Cheaper loans to small businesses are usually provided due to the use of:

- target funding mechanisms of commercial banks by the regulator in order to reduce the cost of loans (UK);

- direct lending to small enterprises (Austria, Belgium, Canada, Chile, Czech Republic, Estonia, Finland, France, Greece, Hungary, Ireland, Israel, Japan, Korea, Norway, Portugal, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Turkey, United Kingdom);

- subsidized interest rate on loans for small enterprises (Hungary, Portugal, Russia, Spain, Turkey, United Kingdom).

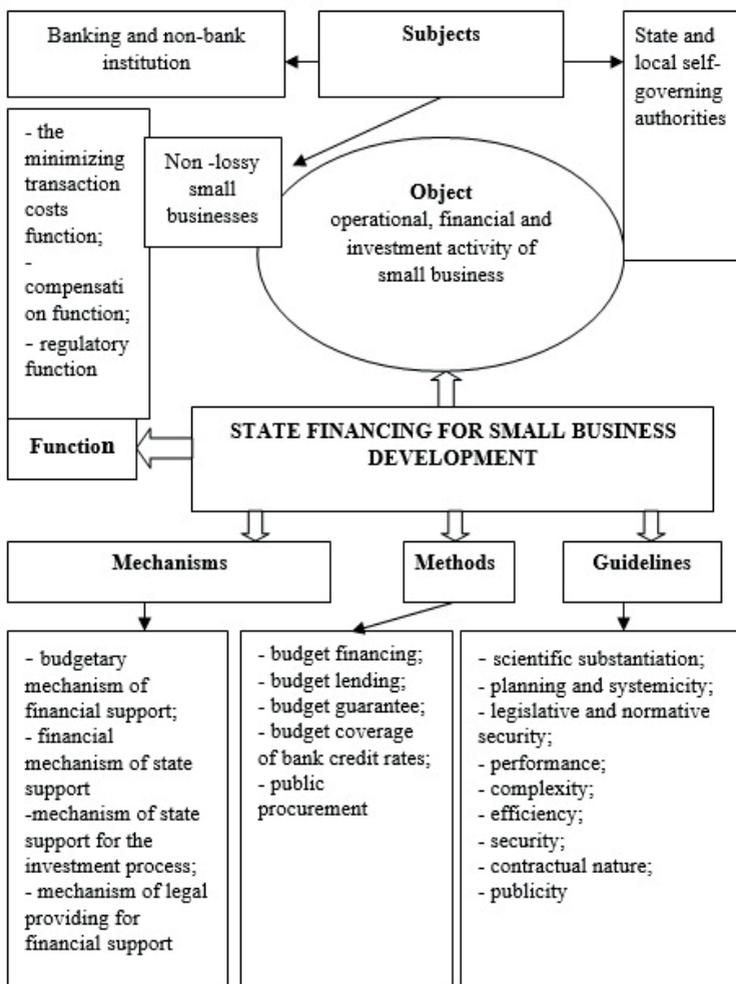


Fig. 1 Conceptual model for state financing for small business development in Ukraine  
 Source: compiled by the author on the basis (Dzhiyeva, A. K. 2015).

Analysis based on data (Lozinska, ZH. 2017, Ribun, L., Lekh, H., Vaskovych, I. 2016, Oreshko, K.S. 2007) showed that the practice of granting state credit guarantees is fairly common in most countries. Government measures to promote bank lending in many countries are the most popular, with the exception of Australia, Japan, Greece, New Zealand. The growth of state guarantees for small business loans is due to the reaction of the governments of many countries to the financial crisis and its impact on the volume of financing of small businesses.

The largest increase in 2015 was observed in Slovakia, but that was due to

a significant drop in the amount of loan guarantees in 2013–2014 and due to an attempt to restore collateral to the 2012 level. Also the most significant is the growth of government loan guarantees in Belgium, and here the situation is similar to Slovak: in 2014, the figure have been decreased by almost half, whereas in 2015 it grew by 68%.

The Czech Republic is characterized by the most stable growth in the volume of government loan guarantees, in which this indicator has increased at an extremely high rate over the past four years. Note that the most critical in this country was 2011, when the volume of credit guarantees amounted to about 7% of the level of the previous 2010.

As for direct budget loans, it should be noted a certain stability of this indicator in most countries. Significantly reduced the volume of budget lending to small businesses in Italy, and the increase in direct funding occurred in Finland.

Summing up, among the countries studied, the most consistent in improving the system of state financial support for small enterprises, in our opinion, is the Czech Republic, which gradually reduces the amount of direct financing, channeling more financial resources under credit guarantees.

On the basis of the analysis conducted in (Bykanova, N. I. 2012), two most effective mechanisms for financial support of small business can be identified, the implementation experience of which can be used in Ukraine: 1) The program of applying schemes of direct target financing of banks for lending to small business using the retail and portfolio guarantee mechanism (operating in the UK since 2012); 2). The program of using the potential of movable and immovable property of small business entities as collateral (an example is the reform of the collateral mechanism in China, as a result of which lending on the security of receivables is activated as an alternative to real estate, which the company does not have enough).

At the same time, when considering the possibilities of adapting foreign experience to Ukrainian realities, it is necessary to take into account the obvious fact that there is no universal system of effective support for small business, therefore we should always rely on the peculiarities of the national economy and certain social attitudes. Hence, based on the existing problems of state financing of small business in Ukraine, and also taking into account certain aspects of foreign experience, we have summarized proposals for enhancing the financial and credit support for the development of small business at the state level.

Macro-level measures, while in modern conditions of decentralization and ensuring the financial independence of local communities, issues of regional financial support for small businesses are of particular importance, since it is the efficiency of the latter that is a significant factor in the formation of a high level of socio-economic development of the region.

The specific features of the implementation of regional financial support for small business in Ukraine are the lack of consistency, the limited autonomy of decision making on financing certain business development programs, the spontaneous

nature of funding, and the lack of control over the regional programs effectiveness. Therefore, it becomes obvious the need to develop models of financial support for the development of small enterprises at the local level.

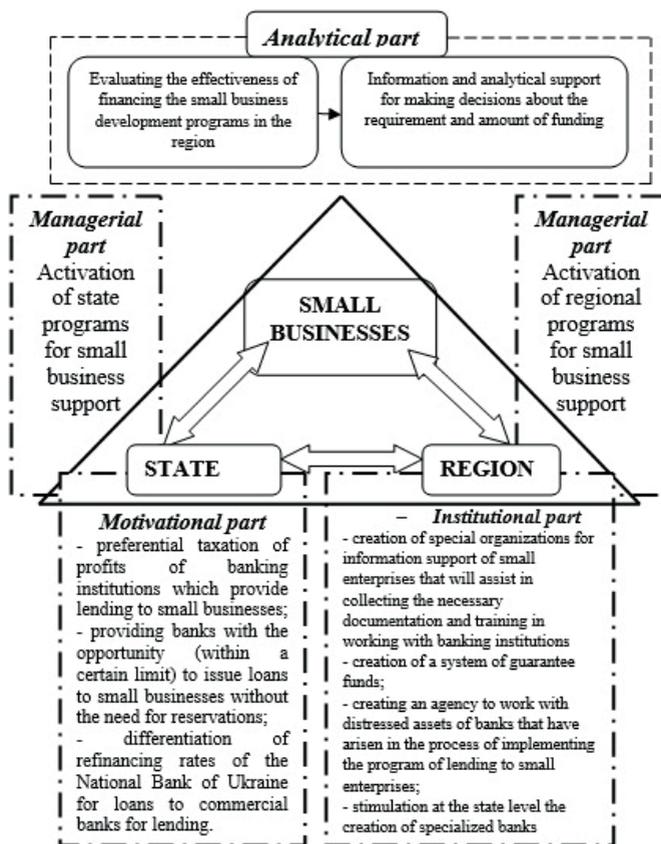


Fig 2. Model of improvement of financial support for the small business development at the regional level

The basis of the proposed model of financial support for the development of small business at the regional level (Fig. 2) is the thesis about the need to harmonize the interests of three subjects: the state, the region and small business. At the same time, in the plane of state-region interaction, the motivational and institutional components of the mechanism of regional financial support for small businesses should become the main ones.

In other words, the result of state-region interaction should be the introduction of measures at the state and regional levels that contribute to creating a favorable

environment for attracting financial resources to the small business sector both on the terms of direct financing and indirect participation with the involvement of a third party (banking and non-bank financial institutions, international financial organizations, etc.).

Local governments have a special place in the business system: on the one hand, having the appropriate authority, they perform the functions of regulating economic relations in their territory, on the other hand, they play the role of full-fledged business entities. This leads to their special form of participation in the financial support of the development of small enterprises, not like the state. An important, if not key, in shaping the concept of regional financial support for small business, in our opinion, should be an analytical unit containing, on the one hand, information and analytical support for making decisions about the need and amount of funding for a particular program. And on the other hand, a methodological tool for evaluating the effectiveness of financing small business development programs from regional and state budgets.

**Conclusions.** On the basis of the theoretical generalization of the issues related to the formation and improvement of the system of financial support for the development of small business at the state level, the following conclusions and practical recommendations were formulated:

- reasonably a special form of participation of local governments in the financial support of the development of small enterprises, which differs from the state.

Taking this into account, a model of financial support for the development of small enterprises at the regional level was proposed, based on coordinating the interests of the state, the region and small business, and contains four main blocks: analytical, motivational, institutional and organizational, which allowed to formulate priorities for regional policies to support small businesses and create prerequisites for increasing its effectiveness.

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## **THEORETICAL AND METHODOLOGICAL ASPECTS OF THE RESULTS OF ECONOMIC ENTITIES' ACTIVITY**

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From the scientific and practical point of view in the modern economics the problem of the economic essence of the results of the economic entities' activity is one of the most complex and debatable. Taking into account the economic nature, on the one hand, the result is the difference between cash receipts and cash payments of economic entities, on the other hand it is the difference between the property status of economic entities at the end and at the beginning of the reporting period.

The results of the economic entities' activity are a quantitative and qualitative determination of the totals of these activities on the basis of an adapted system of indicators under the influence of factors of the external and internal environment in the process of using available resources provided that they achieve strategic goals in the economic, social and environmental fields, taking into account the economic and geographic segment. Analytical support of the system of evaluation

and management of the results of the economic entities is a system of indicators for the accounting and analytical process of the transfer of information about the results of the subject's activity to concerned users for the adoption of effective management decisions taking into account the segment component. To achieve the goal and obtain the target indicators of the result of economic entities, the use and interaction of relevant resources, represented by economic resources, which are understood as all types of resources utilized in the production of goods, products and services, are carried out. Here are labor resources, natural resources, capital (in the form of money capital, or means of production), economic and professional properties of subjects.

In practical activity of modern economic entities, sound management decisions are based not only on ensuring the effective use of internal capabilities (resources and potential), but also taking into account the influence of external and internal factors on the results of the economic entities.

The model of the interconnection of components that shape and influence the results of the activities of economic entities is presented in Fig. 1. Therefore, in determining the results of activities, only the costs or resources that ensure the receipt of this result is impossible, as it emphasizes the systematic and complete presentation of the effectiveness and efficiency of the production economic entities.

In modern conditions, an important aspect in determining the result (effect) of an entity is taking into account the significant influence of external (general economic) factors with consideration of the economic and geographical segment.

The geographical segment is a separable part of the economic entities' activity for the production and / or sale of a certain type (or group) of products (goods, work, services) in a particular economic environment different from the other ones: the economic and political conditions of the geographical region; the relationship between activities in different geographic regions; territorial location of production of products (work, services) or buyers of products (goods, work, services); specific risks for the geographical region; rules of currency control and currency risks in such regions [1].

In turn, an economic segment is a separable part of the economic entities' activity in the production and / or sale of a certain type (or group of) products (goods, work, services), which differs from others: by the type of products (goods, work, services); by the way to generate income (way of distributing products, goods, work, services); by the nature of the production process; by risks inherent to this activity; by category of buyers [1].

Depending on the nature of the impact on the target result of the economic entities, the reporting segments are divided into prioritized and auxiliary ones, considering the type of organizational structure of the economic entities. Activities of an economic entity that are carried out either in a separate state, including one or more foreign ones, or in some regions of Ukraine, are taken into account for separating the geographical segment. At the same time, the level of segmentation,

considering the need to display and reveal the relevant information, is determined personally by the entity.

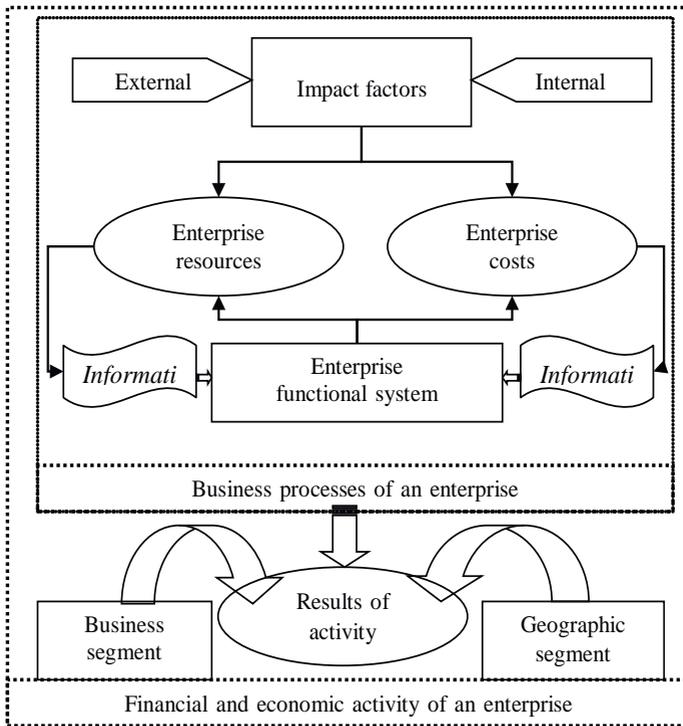


Fig. 1. Model of interconnection of components that shape and influence the results of economic entities' activities

By identifying this segmentation and taking into account specific conditions, an entity may focus on the relevant segment –economic or geographical one, recognizing it as a priority. In order to comply with the relevant conditions, it is necessary to focus on their essence:

- the priority of the economic segment is based on the formation of organizational structuring of individual subdivisions of the economic entity, including production, based on the types of products, work and services that are produced by economic entities;

- in turn, the recognition of a geographical segment as a prioritized one requires the consideration of organizational structuring according to a regional principle.

Thus, when one of the above mentioned conditions is fulfilled, one segment of economic entities is recognized as a prioritized one, the other – as an auxiliary one.

Real interconnection of costs and results based on a priority segment should

be quantitatively determined at the level of economic entities, taking into account aspects of added value distribution and at the state level, in terms of GDP and national income generation, which necessitates not only the determination of the costs of economic entities, but also the results of its activities.

To make effective management decisions on performance results, analytical assessment information is needed, which reflects the results of the comparison of resources expended with economic benefits. Taking into account the importance of economic entities expenses, as the amount of consumed resources in the management system, it is necessary to separate the concept of “productive resources of economic entities” as a combination of funds of a legal entity that ensure the implementation of its activities, considering the trend of costs growth as well as the segment component.

As a rule in modern economic conditions the implementation of costs is purposeful and aimed at obtaining a certain result of activity.

Taking into account the modern economic theory and practice, the author’s classification of the activity results of economic entities is proposed with consideration of relevant features of the modern economy (Table 1).

From the point of view of the activity types, the results are divided into the results from the operating, financial and investment activities, and this corresponds to the regulatory support. Results from operating activities are the results of operations related to the production or sale of products (goods, work, services), which provides a significant part of the income of economic entities and are the main purpose of its creation and operation.

The result from financial activities is the result of activities that leads to changes in the capital segment of the production economic entities.

In turn, the result of investment activity is the result of operations related to the irreversible assets of the production entities, as well as those financial investments that are not a segment of cash equivalents of the entity.

The second qualification group is formed depending on the degree of achievement of the corresponding result. At the same time, the targeted, namely, the final result of the activities of production entities, as well as intermediate or, in other words, partial results, which can be obtained and calculated for each structural segment of economic entities, are distinguished. Information on intermediate results is used without fail when calculating the final target result of activity of economic entities.

Depending on the place of occurrence, the results of activities of economic entities are divided into exogenous - the results obtained under the significant influence of external factors, and endogenous results, which are formed by improving the efficiency of resource use and the potential of economic entities.

In addition, each group of the results of the economic entities’ activities is characterized by appropriate qualitative and quantitative indicators or indicators that are designed to objectively establish the effectiveness and efficiency of the activities of production economic entities. In this connection, they share the qualitative and

quantitative results of the activities of economic entities.

*Table 1*

**Classification of results of economic entities' activity**

<b>№</b>	<b>Qualification criteria</b>	<b>Types of results</b>
1	Kind of activity	- Result in operational activities; - Result in financial activities; - Result in investment activities
2	Degree of achievement	- The targeted outcome; - Intermediate outcome
3	Belonging to the place of production	- Exogenous results; - Endogenous results
4	Results sphere	- Economic results; - Financial results; - Social results; - Environmental results
5	By properties of phenomena and processes	- Quantitative results; - Qualitative results
6	Depending on the selected segment	- Result from a priority segment; - Result from an auxiliary segment
7	Specific sphere of activity	- Innovative results; - Intellectual results

The modern system focuses on individual economic segments, namely, economic and geographic, which is reflected in determining the performance of economic entities as a result of the priority segment and the result of the auxiliary segment, taking into account the current regulatory framework.

Innovative activity of economic entities today has become an integral part of the successful functioning of an economically developed enterprise and is an activity that is associated with the creation and practical use of advanced or completely new types of products (work, services) or management decisions that provide economic, social, environmental, scientific and technological and other effects of economic entities. As a result of innovation activities of economic entities, there may be a new product that is introduced on the market, an improved or new technological process, as well as new approaches to the organization of production and management, which strengthens the competitive position of the enterprise and maximizes positive results of management.

Analysis of scientific research shows that the results of intellectual activity of economic entities in relation to which legal protection is carried out are objects of intellectual property and are presented in the form of intellectual products, without which the process of economic development of a modern enterprise is complicated.

The classification of the company's results in different spheres is relevant for economic entities. Allocation of economic, financial, social and environmental results of economic entities helps to focus on solving the main tasks and achieving

their strategic goal in economic, financial, social and environmental spheres.

The financial result is one of the most important indicators, which summarizes all the activities results and characterizes the efficiency of an enterprise. The financial results directly reflect all aspects of economic entities' activities, such as: the level of production assets use, labor, material and financial resources; features of technology and organization of production; cost of goods sold, their quality; sales volume, selling prices; labor productivity; government regulation of industry development. The financial result of economic entities may be profit, loss or zero financial result.

In accordance with the types of activities, there are: financial results of operating activities of economic entities; financial results of investment activities of economic entities; financial results of financial activities of economic entities.

Depending on the content, financial results are classified into:

- accounting result that is the amount of profit before tax, determined and reflected in the statement of financial performance (total income) of economic entities;
- tax result that is the amount of profit, determined on the basis of the Tax Code of Ukraine for economic entities;
- economic result that is the part of the total income after deducting the economic costs of economic entities.

The study analyzed the issues that determine the significant role of profit as one of the most important results of the activities of economic entities. The need to inspect various aspects of the economic nature of profit determines the debatability of this category.

Taking into account the needs of modern society and considering the result of economic entities as a result of a certain activity, we assume it's obligatory to single out the social results of an enterprise's activities into a separate group.

In the national environment, it is rather difficult to separate the social aspect from the economic one in the activities of economic entities, but modern management standards require the definition of the social result of the enterprise.

In this connection, the social result of economic entities is a complex, decompound consequence of the operation of an enterprise, is essential for an individual, a group of people and society as a whole and directly affects economic relations both in economic entities and in the state.

The basic aspect is the composition of the social results of the activities of economic entities; it consists in distinguishing two elements: social results for employees and social results for owners of economic entities. The first group includes the results of economic entities related to the main spheres of implementation of the enterprise's social policy: selling marketable products at reduced prices, making expenses on maintaining social and cultural facilities, costs of delivering goods to distant cities or territorial communities, fighting poverty through employment, the provision of paid services and free of charge to employees, charitable activities

in the form of free delivery of products to the public sector entities, orphanages, sponsored camps for children and gardens.

Among the social results of economic entities, an important element is salary, which is the main source of income for employees of economic entities and a means of increasing their wellbeing. In addition, salary has a stimulating role in the process of improving the efficiency and effectiveness of labor, thereby ensuring the growth of income of economic entities.

Social results of enterprises are extremely diverse and are determined by the nature of the values declared by society and the economic system. They can be divided into the results of activities that satisfy the material interests of the individual and the results related to personal and spiritual needs, in particular, access to information, participation in management, recreation, sports competitions, intellectual services, etc.

Evaluation and management of results requires a comprehensive approach to maximizing the positive results of the activities of economic units and the study of the results of activities of economic entities in all spheres [3].

The stated positions give reason to assert that in today's conditions, along with the profit indicator of economic entities, which is most often used at enterprises, it is necessary to single out a number of indicators of efficiency and effectiveness of economic entities on the relevant qualification criteria and direction.

The formation of the results of activity of economic entities is carried out under the influence of many factors and at the expense of many sources, different in their financial and economic content, and quantitative and qualitative features.

Thus, the results of economic entities' activities represent the definitions of the outcome of the economic entities' activities, taking into account the segment components and directions of formation. In turn, the result of the economic entities' activities is determined by the characteristics of their activities, in general, describes the consequences in the operating, integration, financial, environmental, social, innovation and other spheres of economic entities.

For the study of the results of the activities of economic entities, methodological approaches to assessment are no less important than the results.

Effective management of economic entities is provided through basic management functions, among which a special role is played by the analysis of financial and economic activities and related analytical assessment systems.

It should be kept in mind that in modern economic conditions, the activities of economic entities increasingly depend on the ability to adapt to the conditions of its operation, in connection with which it is necessary to take into account the change in the system of management decision-making at the enterprises.

Evaluation of the results of economic entities' activities is associated with the development of methodological support for the identification, measurement, production, analysis and presentation of analytical information relating to all activities of economic entities, including innovation and investment development,

as well as the identification of patterns determining the state of the enterprise.

The basis for evaluating the performance of any enterprise is an economic analysis. The method of economic analysis is the target method (approach) of studying the processes of an enterprise's activity in statics and dynamics. The method of economic analysis provides a systematic integrated identification, measurement, registration, accumulation and study of the influence of factors on the performance of an industrial enterprise, by processing the analytical tools of a system of indicators to improve the efficiency of an enterprise [1].

Application of the method of economic analysis is carried out using appropriate methods of analytical research of economic entities: methods of research of specific spheres of operating, investment, financial activities of economic entities or methods of comprehensive analysis of an enterprise. It should be noted that each type of analysis has its own method and analytical tools.

The method of economic analysis is divided into two components: quantitative and qualitative. The quantitative components are aimed at assessing the degree of influence of factors on the effective performance of an enterprise, calculating regression equations in order to be used in management analysis, and revealing reserves for the growth of positive results of an enterprise's activity. Quantitative methods are divided into accounting (balance method, calculation method, double-entry method and statistical (absolute, relative, average), comparison, grouping, index method, method of chain substitutions, integral method, economic and mathematical methods.

Qualitative methods allow, on the basis of an appropriate study, to form certain conclusions about the state of the results of economic entities' activities in all spheres of activity, level of profitability, operational and resource potential, degree of implementation of the socio-economic and environmental component.

The technique is a set of methods, principles for the purposeful implementation of any economic activity in the enterprise. The basic task of the functioning of economic entities is to meet the needs of representatives of society and financial and economic benefits. Financial and economic benefit is determined through profit, is the result, to the extent necessary to meet the socio-economic needs of employees and the social program of the enterprise.

We propose to use a systematic approach in the study of a comprehensive assessment of the results of economic entities' activities by all types of activities, processes and spheres.

The system of comprehensive assessment of financial and economic performance of economic entities includes the following steps:

- investigation of a system of analytical support for economic entities;
- assessment of the actual financial and economic results of the company from operating, innovation, investment and other activities;
- carrying out a segmental assessment of financial and economic results;
- general assessment of factors influencing the financial and economic results

of economic entities;

- formation of strategic decisions of economic entities on forecasting financial and economic results.

In order to assess the performance of economic entities in all spheres – operational, financial, innovation and investment it is necessary to classify the information system of economic entities for the needs of researchers in order to create a single information space that provides truthful and impartial information about the financial and economic results of the enterprise. Information of economic entities includes indicators that are the object of detection, measurement, processing, justification, synthesis, processing, storage and transmission of data. A number of accounting and analytical categories are used in the study of the performance of economic entities.

The method of assessing the financial results of economic entities has the following directions:

- horizontal analysis and evaluation of the cash flow statement of economic entities by the direct method;

- horizontal analysis and evaluation of the cash flow statement of economic entities by an indirect method;

- vertical analysis and evaluation of the cash flow statement of economic entities by the direct method;

- vertical analysis and evaluation of the cash flow statement of economic entities by an indirect method;

- study of the structure and assessment of the dynamics of the financial result before taxation of economic entities;

- assessment of the distribution and use of the net financial result of economic entities;

- assessment of the structure and dynamics of the total income of economic entities.

Evaluation of financial and economic results of economic entities involves the study of its target orientation and justification of financial and economic indicators in the relevant spheres of operating, financial and innovation and investment activities.

The following stage of a comprehensive assessment of the performance of economic entities is the development and formation of an enterprise strategy, their enhancement with a view to prioritizing the rationale for a conceptual model of managing an economic unit. Determining the strategy of economic entities is carried out by identifying growth reserves and testing modern methods for assessing the financial and economic performance of economic entities.

Models of evaluating the results of an enterprise sometimes do not take into account the sectoral features of the objects of analysis, ignore the factors of various weight assessments of the influence of individual indicators on the overall results of the analysis, and therefore often do not determine the objective reasons for an increase (decrease) in the results of an enterprise.

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## ENTERPRISE ECONOMIC BEHAVIOR: ESSENCE, CLASSIFICATION, PRINCIPLES

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The challenge of determining economic behavior essence in the world economic science is not new. The evolutionary development of this category began with the formation of so called market relations and transformed with their development.

The category of economic behavior is a significant key element for understanding the principles of economic systems functioning that have various levels of complexity. The economic behavior of an enterprise in a market environment determines the forms and features of its economic relations with other economic entities, consumers, governmental institutions, employees, owners. On the other hand, economic behavior is formed under the influence of environmental factors of the enterprise and is an element of the economic system functioning (operation).

During a long time, the activity of enterprises in the market environment has been studied from the point of view that the economic entity acts rationally, striving to achieve the main goal of its activity - profit maximization. However, practice demonstrated that management decisions were not always rational, and the external and internal operation environments became more and more complicated; the number of factors, that needed to be taken into account while making decisions,

increased, which further led to increasing complexity of rational decision-making process. All this caused the need for new approaches for enterprise operation management, and behavioral economics became such an approach.

It should be mentioned that for a long time, economic theory postulates were based on the fact that the main motive of economic activity is satisfaction of needs on the basis of rational behavior. In practice, however, theoretical models did not coincide with the real behavior of enterprises at the market.

Representatives of behaviorism, unlike neo-classic and institutionalism representatives, deviate from the rational economic behavior principle and introduce the concept of limited and variable rationality.

For example, studies of G.Simon prove that the managers of an enterprise are not capable of quickly processing a large amount of information that needs to be analyzed in order to make a rational decision in accordance with the changes external operation environment. Therefore in real life, unlike theoretical models, firms choose an acceptable version of economic behavior, which may not be absolutely rational, but requires significantly less information, and the ability for its analysis does not require accurate calculations, also it takes much less time for decision-making. This principle of choosing alternative of economic behavior was called bounded rationality principle [1].

G.Simon, instead of the classical «economic man» model, offers the model of «administrative man», which makes decisions based on simplifying the situation for as many factors as it can cover. Moreover, decisions are made collectively at the enterprise, which, firstly, excludes the anticipation of the consequences of all decisions made for making a rational choice; and secondly, decisions by individuals are made in accordance with their individual goals and social perspectives [2].

H. Leibenstein concluded that the behavior of both individuals and companies can be more or less rational, depending on the circumstances; the scientist associates with the physiological characteristics of a person, saves his mental energy and spends it only when there is a need. This explains the variable rationality of economic behavior of business entities [3,4].

Analysis of theoretical approaches to the interpretation of the concept of «economic behavior» indicates that the majority of authors see economic profit as the goal of economic behavior. However, under real conditions of enterprises' functioning, sometimes the maximum profit may not be a priority goal, yielding, for example, the goal of increasing market share, strengthening one's own competitive positions, innovation breakthrough, and similar. Therefore, in our opinion, economic behavior should be understood as a set of consistent systematic actions aimed at achieving the goals of enterprise development, ensuring the profitability of its activities and a favorable competitive position on the market.

Economic activity is characterized by a wide variety of factors, impacts and their consequences, as a result an enterprise can carry out various reactions. Therefore it is necessary to classify the types of economic behavior of an enterprise according

to separate characteristics.

Existing definitions of economic behavior characterize it as a complex of rational, purposeful actions. But the current developments in the field of behavioral economics show that both the behavior of an individual and the behavior of an enterprise in a market environment may have irrational character. Depending on how relevant the behavior is to changes in the external environment, requirements of the current situation or expectations can be characterized as adequate or inadequate. The level of adequacy of economic behavior of an enterprise can be influenced both by internal and external factors. For instance, inadequate behavior may occur due to an extremely rapid change in the environment and limited initial information about such changes, or due to lack of competence level of decision makers. In the conflict resolution several types of behavior are distinguished depending on the type of response to the change of external circumstances: adaptive, maladaptive, and counter-adaptive. The economic behavior of an enterprise can also have adaptive, maladaptive or counter-adaptive characteristics.

Adaptive economic behavior of an enterprise provides for the adaptation to new conditions of functioning, certain internal changes due to external ones. In this case, adaptive behavior can be of the following types:

- Proactive adaptive behavior;
- Compulsive adaptive behavior.

Proactive adaptive economic behavior of an enterprise is a set of targeted active actions to meet growing needs and achieve progressive goals using the identified new opportunities.

Compulsive adaptive economic behavior of an enterprise is focused on maintaining the existing or reduced competitive position using unusual means, methods and tools under the pressure of changes in the external functioning environment.

The maladaptive type of economic behavior manifests itself through a refusal to adapt to coercive circumstances, postponing decision-making due to incomplete information, or in hopes of returning pre-conditions for functioning, due to the lack of clear goals and motives for action [5].

Counter-adaptive or antagonistic economic behavior of an enterprise is expressed in its readiness to protect its own corporate interests, values and traditions in the most adverse circumstances, even by means of intensifying conflicts and waging an uncompromising struggle.

Depending on the type of adaptation to the environment, the economic behavior of the enterprise can be either conformal or deviant.

Conformal behavior is a set of behavior and actions aimed at achieving success, measured according to generally accepted criteria, with help of means, consistent with existing norms, rules, and traditions.

If the individual is being supportive of the goals adopted by society, but does not have the necessary conditions for achieving them, he resorts to various innovations.

The generally accepted goal of any commercial enterprise is, as noted above, profit maximization. If it is not possible for the economic subject to maximize profits by traditional means, then it is forced to introduce innovations.

However, the more innovative the activity of an enterprise is, the more susceptible it is to changes and internal transformation, the more deviant will be its behavior, the more unconventional management decisions will be made.

Deviant economic behavior is characterized by departing from long-established stereotypes when making management decisions, also from generally accepted norms, traditional algorithms and proven scenarios.

Deviant behavior in turn can be constructive or destructive. The result of constructive deviant economic behavior is an increase in competitive status by obtaining certain competitive advantages through innovative management approaches, innovative products or other results of creative, non-standard solutions.

As a result of destructive deviant economic behavior, an enterprise can receive both direct economic losses and also for example, reputational or image losses.

Deviant economic behavior, despite its constructive or destructive nature, is not illegal and does not go against current legislation. However, still there are varieties of deviant behavior, not only delinquent, but also criminal behavior.

Delinquent behavior is a set of actions that are not approved by law, but are not punished, because they do not violate clearly defined rules and regulations. For example, tax minimization by legal means is not a reason for administrative or criminal prosecution, but cannot be approved from the view of compliance with the principles of business social responsibility.

Ritualism is not a full-fledged deviation and contains certain features of conformism. Ritualism in the economic behavior of an enterprise is characterized either by a rejection of the goals of economic (commercial) success, or by a significant decrease in economic expectations, although at the same time by observing accepted behavior norms and standards. For such business entities, there are two alternatives: either continue to adhere to standard scenarios and traditional actions and refuse to achieve the goal of economic success, or decide on innovations in order to achieve these goals.

Retreatism is characterized not only as a rejection of socially approved goals, but also accepted norms of behavior. An example of manifestation of retreatism, regarding the economic behavior of an enterprise, could be a rejection of economic goals and traditional methods of achieving them in order to achieve, for instance, political goals. Also in this case it is impossible to speak about economic behavior of a business entity as a result of leveling one of its main features - the goal of economic result maximization.

This form of adaptation to change, like insurgency (revolutionism), is characterized by the rejection of goals and norms, approved by the society, and the proposal of new goals and norms and the struggle for their approval.

Depending on the sphere of economic activity, we can distinguish commercial,

distributive (distribution), production and consumer behavior [6].

Commercial behavior is a set of behavior and actions to ensure the movement of economic goods through market channels, taking into account their valuable relationship with each other.

Distributive (distributional) behavior is a set of actions, mechanisms and methods of redistributing economic resources among consumers. Distributive behavior includes a variety of options for access to economic resources, the right to control them and receive benefits from their treatment.

Production behavior combines a wide range of different actions in certain organizational forms related to the combinations variability and the transformation of economic resources into certain benefits for the purpose of making a profit. V. Verkhovina considers the main production form of behavior – the labor behavior connected to the professional capabilities, interests and content of the work activities of individuals and their associations.

Consumer behavior of an enterprise is a set of actions whose purpose is to obtain economic benefits from commodity circulation and to use their beneficial properties to satisfy their own economic needs in the process of economic activity [6].

Classification types of economic behavior for the business entities, which were characterized above, are systematized in fig. 1.

The clarification of the essence of the concept “economic behavior of an enterprise” and the classification of its types contribute to a more conscious approach to the mechanism development for managing the enterprise economic behavior in conditions of a high degree of variability in the external and internal environment ,if the enterprise is considered as an open economic system.

The economic conditions of domestic enterprises are characterized by a high level of complexity, turbulence and uncertainty. They significantly complicate and diversify the task of the management of business entities to ensure successful and efficient operation, competitiveness and sustainability in a strategic perspective.

The enterprise is essentially an open socio-economic system, which is constantly in interaction with the elements of the functioning (operating) environment. The type of interaction with the external environment results in the type of enterprise economic behavior as a reaction to changes in the operating conditions (table 1).

Features of the enterprise’s interaction with environmental factors are not limited to direct interrelations, but are characterized by a significantly higher level of complexity, interdependence and subordination, which greatly complicates the algorithm of economic behavior management.

Identification, characterization, analysis and consideration of environmental factors in the process of managing the economic behavior of an enterprise take on particular importance, actualizing issues related to ensuring an adequate response of the enterprise to changes in the functioning environment.

The implementation of an adequate economic behavior requires the formation of an appropriate mechanism that will allow systematizing and ensuring the

introduction into practice of its individual components and adaptive behavior as a paradigm of enterprise management under the existing economic conditions in general.

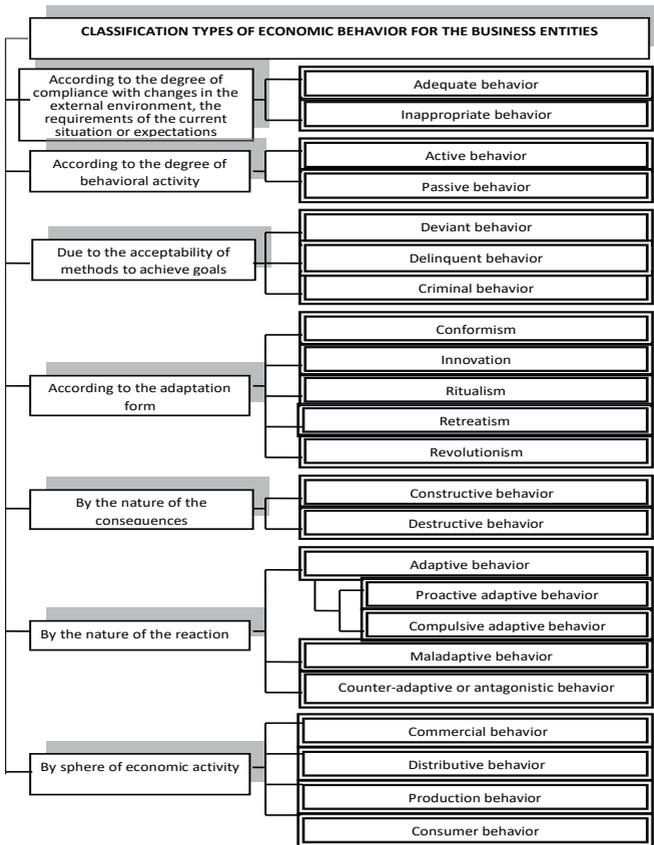


Fig. 1 Classification of types of economic behavior of business entities [authorized]

The mechanism for managing the economic behavior of an enterprise includes three interconnected blocks:

- 1) the rationale for economic behavior;
- 2) economic behavior implementation;
- 3) evaluation of the results and consequences of economic behavior.

In each block, respectively, there are different processes aimed at the formation of the desired (optimal) state of the management object and the achievement of the objectives of economic impacts.

Table 1

**Types of economic behavior of the enterprise depending on the types of interaction with the external environment (developed on the basis of [7])**

Type of interaction of the enterprise with the external environment	External environment	Economic entity (enterprise)	Characteristics of the economic behavior of the enterprise
Inactive	Changing	Does not change	An enterprise takes a passive position of an "observer" for external changes without adapting to new conditions, and the activity of such an enterprise is under great threat - MALADAPTIVE BEHAVIOR
Reactive	Changing first	Changes with a delay	The company does not respond to changes in the external environment immediately, but begins to adapt to them after some time - ADAPTIVE REACTIVE BEHAVIOR
Proactive	Changes under the influence of the subject	Initiates changes	An enterprise initiates changes in the external environment at its own peril and risk in order to create more acceptable conditions for its functioning - PREVENTIVE CONTRADAPTIVE BEHAVIOR
Interactive	Interconnected changes	Interconnected changes	The enterprise and elements of the external environment act as interrelated components of one system, influencing each other and constantly changing - ADAPTIVE BEHAVIOR

The block-block diagram of the mechanism for controlling the economic behavior of an enterprise (Fig. 2) clearly indicates the complexity of the components of the economic behavior system.

The main models of economic behavior are active, mixed and conservative. The model of active economic behavior suggests that the enterprise is ready for an economic response; its rate of passage is quite high. Economic behavior is systematic, so that it covers all subsystems of the enterprise.

The model of conservative economic behavior characterizes the passivity of a business entity with inertial behavior. The company does not carry out active steps arising in the activity; they are decided on the basis of existing traditions or are ignored.

The economic response rate is low. Response has a local character, which is, carried out at the level of individual units. Such maladaptive behavior is realized in the form of ignoring environmental changes; it is possible only under the condition of insignificant influence of environmental perturbation factors on the activity of

the enterprise.

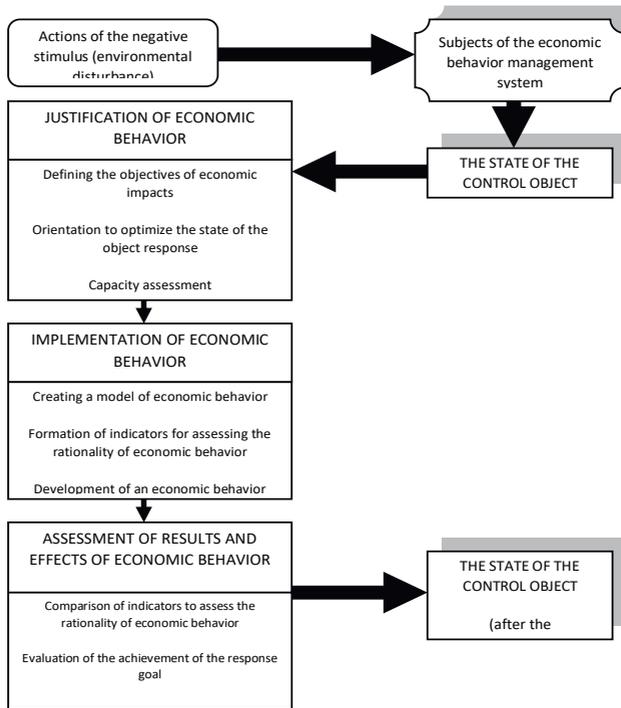


Fig. 2 Block-structure diagram of the mechanism of management of the economic behavior of the enterprise [authorized]

The model of mixed economic behavior is the choice of the economic response type depending on the intensity and nature of the environmental factor influence. The rate of response is lower than with active behavior; the economic behavior is more localized [8].

Depending on the type of negative impacts identified in the activities of the enterprise, management should determine the types of response that must be applied during the implementation of the economic behavior of the enterprise. It is necessary to take into account: the degree of damage to areas of activity by adverse conditions, the extent of their distribution, and the duration of the negative impact manifestation. The choice of measures of economic behavior depends on the type of interaction among the enterprise and the environment, the object of response and the type of threats.

Measures of economic behavior is a set of tools that are used to transform the object of management influence in the target state, in order to ensure the normal

functioning of the enterprise in adverse conditions.

Measures of economic behavior in enterprises are determined individually, depending on the type of threat, the scope of the crisis, the object of the reactionary influence and the goal of the economic response.

For the successful implementation of the economic behavior of an enterprise, on the one hand, a clear, and on the other hand, a flexible algorithm of actions is necessary, the formation of which must take into account the regional and sectorial specifics of the enterprise.

The economic behavior of an enterprise directly depends on the size of its economic potential. The behavior of large, medium and small enterprises will be different due to the fact that they have different prerequisites for this. However, at the same time the economic potential of the enterprise itself is the result of its economic behavior in previous periods [1].

If the economic behavior of an enterprise is rational and effective, then its economic potential will grow, affecting future economic behavior, and not only the ability to adapt to changes in the environment, but also the ability to predict its further development becomes significant, so that we can take advantage of the potential that the company has in a more effective way.

In the process of realization of economic behavior, target installations may undergo changes depending on external condition modifications, the quality of solving certain problems in the process of implementing the algorithm of economic behavior. Any management model is established for a long period, during which the organization can temporarily change the tactics of its economic behavior, which means to begin to act on the basis of such a behavior mechanism, which is not combined with the previously formulated strategic principles, but is based on the definition of new key success factors. With a positive change in economic conditions, the enterprise returns to the initially developed economic behavior, and it may undergo some modifications.

One of the most significant issues is the problem for the enterprise to adapt its activities to environmental conditions, the dynamism of which is high and not always predictable. At the enterprise level, this issue is transformed into a problem of rational economic behavior. At the same time, it is necessary to understand that the indicators characterizing the result of economic behavior and, therefore, reflect the effectiveness of the mechanism for economic behavior management can be different. This means that there is no need to establish in advance any particular indicator or their established set. In practice, the choice of an indicator depends on the task or the problem being solved, and also reflects the specifics of the enterprise itself, the specifics of its activity, allows abstracting the theory from specific indicators of managing economic behavior and directly considering and calculating them in practice.

An important element in the management of the economic behavior of enterprises is the evaluation of the effectiveness and management decisions quality

in the process of varying changes in the model of economic behavior under the external or internal factor influence. Such an assessment is, on the one hand, a tool for identifying the existing state of an enterprise, on the other - the basis for making reasonable management decisions based on the economic behavior of an enterprise in the future [9, 10, 11].

As indicators of the rationality of the enterprise economic behavior, it is advisable to use indicators of their economic activity results, which is a consequence of their economic behavior.

The criteria for rationality of economic behavior are individual in the specific conditions of a particular enterprise, reflecting its individual preferences, its potential capacity, as well as previous experience of the enterprise, especially its interaction with the environment.

Thus, management of economic behavior should be carried out as a set of actions, mechanisms and means within a certain model of economic behavior, which will be the most appropriate for the conditions of activity of a particular industrial enterprise.

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## **MODEL OF INTERDEPENDENT SYSTEM «COMPETITIVENESS – ECONOMIC SECURITY»**

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In the context of globalization changes, an important strategic direction of development in the field of public administration is the solution of theoretical and methodological problems of increasing the competitiveness of the national economy. This is associated with a combination of achieving two major goals: on the one hand, improving the functioning of the entire economic system of the country, on the other – ensuring its national security [3]. In particular, Gelvanovskiy M. I., Rozhkov K. L., N. I Scriabin define security as a basic condition for the development of competitiveness and note that where there is competition, the problem of economic security will certainly arise [3. pp. 21-23].

The security system performs two main functions - interfering from the loss of competitive advantages and blocking the transition of these advantages to a competitor.

It is especially important to take into account the safety factor when assessing competitiveness at the macro level, since there is practically no single legal space between countries.

Senchagova V.K. defined competitiveness as a mechanism for ensuring economic security: "... competitiveness is the most important factor in national economic security strategy; economic security and competitiveness are characteristics of the national economic complex and its components that are in constant interaction ...». However, if competitiveness is both a goal and an indicator of the degree of development of the national economic complex and its components, then economic security is a condition for its existence and development [7].

Recently, in the scientific literature there have been separate publications devoted to the analysis of the relationship between the concepts of «competitiveness - security». So, Mingaleva J. A., Gershanok G. A. in her work reveal the complex of interrelations «innovation - competitiveness - economic security - sustainable development». They come to the conclusion: «... the logic of the socio-economic development of the world economic system of recent years requires greater attention to the entire chain of interconnection, including all links and areas of interaction, as well as the possible negative effects of each of them on the entire system of interrelations and sustainability of development as a whole» [5. p. 72].

Economic security is a dynamic institution that, using its economic and political properties in the market economic system, performs the functions of ensuring effective economic activities of all departments and subsystems, the functions of forming and maintaining appropriate competitiveness and the functions of protecting economic interests [6, p. 45].

Thus, there is recognition of the relationship between security and competitiveness of the economy, but there is no holistic view of it, which can be realized through the formation of interdependent systems «competitiveness - economic security» based on the factor approach, since factors are the causes, driving forces economic process and the result of this process. The more developed the factors determining national competitiveness, the more stable and viable the country's economy is in the face of emerging external and internal threats.

Numerous indicators characterizing competitiveness at the macro level are at the same time indicators of economic security [2].

At different levels of economic organization, market entities provide competitiveness and security in different ways. The higher the level of economic organization, the more difficult it is to improve competitiveness and ensure security. The most difficult task is to ensure economic security at the macro level, that is, at the level of the national economy.

Taking into account the close relationship between competitiveness and economic security, it should be noted that the ratio discussed above affects the factors of, respectively, competitiveness and economic security, therefore, when identifying the main factors of economic security, we can take the factors of competitiveness as a basis. All factors of economic security can be grouped according to various classification criteria. In the most general form, the factors affecting economic security can be divided into external and internal.

The most acceptable situation, when the micro and meso-level factors are at the same time the criteria of competitiveness and economic security, creates a high competitiveness of the national economic complex and its constituent elements, which forms a sufficient level of economic security.

Achievements of the positive dynamics of the economic system as a whole (macroeconomic system) and its individual lower-order subsystems (meso- and microeconomic subsystems) are possible with an economic development model

based on the interaction of the key parameters «competitiveness – economic security» at various hierarchical levels of the economic system (micro-level, meso-level, macro-level) taking into account the influence of factors (Fig. 1).

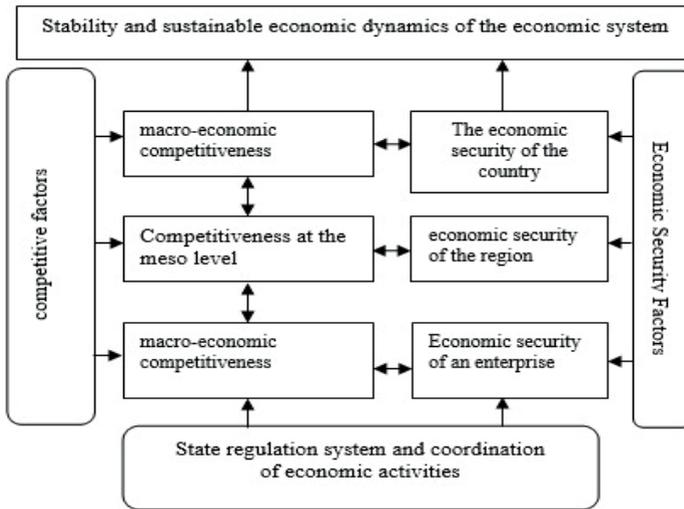


Fig. 1. Model of interdependent system «competitiveness - economic security» [developed on the basis of 2, 4, 9]

In the context of the globalization of the world economy, the country’s accession to the international integration associations forms a high level of the state economic security management system, including at the regional level. Within the framework of the world economic system, the protection of economic interests is determined by the level of development of the national economy, the contribution of each region to its competitiveness on the world market. Considering economic security as a multi-level system, we note that each higher level of the system should form favorable prerequisites for ensuring the security of components and functional components of a low-level economic security object.

Summarizing the characteristics of various levels of economic management, an approach to the formation of a hierarchy of a multi-level economic security management system based on individual levels with the functional components of competitiveness is proposed (Fig. 2).

As institutional units, economic security and competitiveness of the economic complex simultaneously reflect the material and material (sufficiently high level of development of productive forces, which is able to provide an important share of the natural and cost elements of the expanded reproduction of the domestic national product) and the socio-political basis (sufficiently high level of social consensus on long-term national goals that make it possible to develop and adopt state’s strategy for

social and economic development) to socioeconomic development of the state [43].

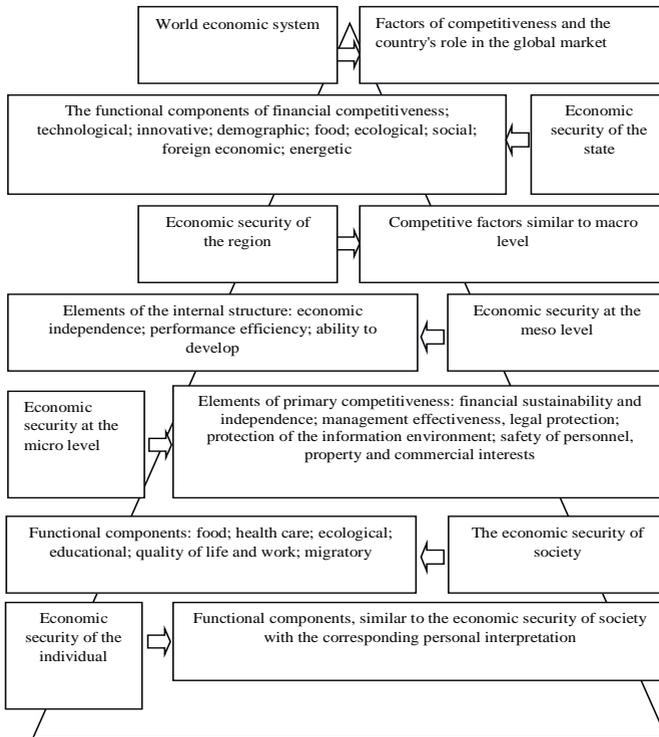


Fig. 2. The hierarchy of a multi-level economic security management system based on separate levels with functional components of competitiveness [formed by the author on the basis of 1]

As already noted, the economic security and competitiveness of a region's phenomena and categories are closely related. The state of economic security is influenced by many different competitive factors that either impede or contribute to security. In case of incorrect or untimely regulation of the influence of a factor, its transition from a relatively controlled state to a new one, destabilizing and often unpredictable, is considered as a threat to economic security.

Also, any timely or unresolved factor or factor that is not manageable, and at the same time affects the state of economic security, may become a threat. Timely intervention in the development of factors of economic security leads to the prevention of crisis situations, is the most favorable development of events.

Consequently, their essence is most fully revealed through the definition of the main blocks of problems, among which are those related to: (1) the preservation and support of the economic system; (2) the transformation of property relations;

(3) support the functioning of the economy in emergency situations; (4) economic problems of interaction with the outside world (Fig. 3).

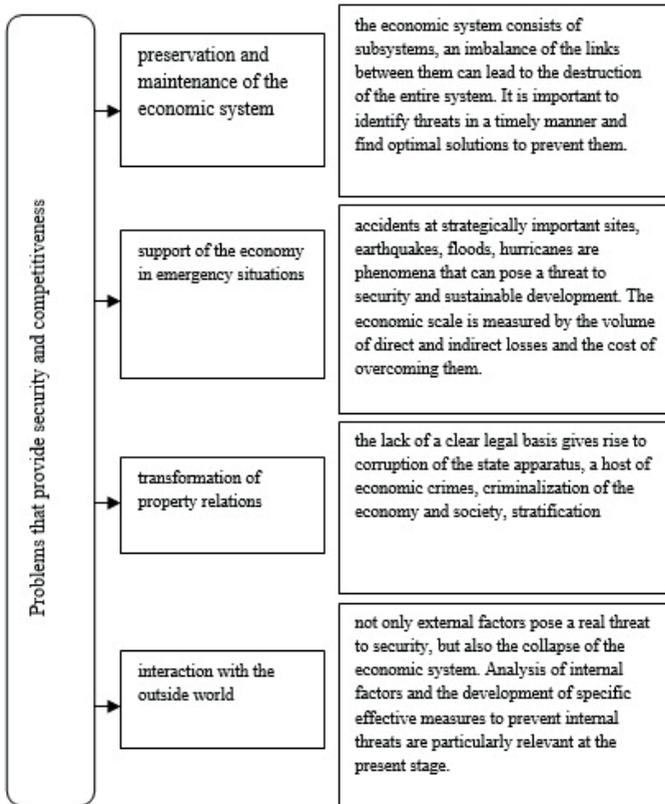


Fig. 3. Key objectives of the policy of ensuring economic security and competitiveness [formed by the author on the basis of 8, 9]

In accordance with the specified priority areas for strengthening competitiveness, taking into account the need to ensure economic security at the present stage, should be:

1. Stabilization of the economy and social sphere:

- promotion of modernization and reconstruction of capacities, the introduction of innovative, scientific and technical developments and energy saving measures;
- increasing the competitiveness of production by increasing the volume of capital investments, further spreading forms of public-private partnership in the agricultural sector;
- the formation of competitive food markets through the development of food processing enterprises;

- further work on creating a coherent and efficient system for supporting small and medium-sized businesses through the implementation of small business development programs, which will contribute to solving key business problems and improving the resource, information and financial and credit support for entrepreneurs;

- expanding interregional cooperation and strengthening the investment component of cooperation.

#### 2. Development and diversification of production:

- support the practice of social partnership with business to attract extra-budgetary funds in the implementation of programs for the development of cultural and educational services, the development of engineering networks for energy and gas supply, transportation and information communications, and the like;

- creating a base of investment projects to attract new production technologies in order to increase the productivity of organizations;

- simplification of access of commodity producers to state support programs;

- establishing close cooperation between manufacturers of products, representatives of research institutions, machine-building complex, and the like;

#### 3. Development of infrastructure and approximation of its quality to EU standards

- promoting the development of transport and transit traffic;

- stimulating the use of local alternative energy sources;

- the introduction of modern energy-saving technologies in the production and utilities;

- promotion of contacts between the residents of the border areas.

#### 4. Dissemination of ideas of public-private partnership on the European model:

- creation of coordination bodies from representatives of the state, business and civil society to monitor the success of the implementation of public-private partnership projects and assist in this direction;

- development of a set of organizational, institutional and economic mechanisms to stimulate the development of public-private partnerships;

- involvement in the development of public-private partnership projects of civil society organizations, media representatives and active residents;

- development of measures to improve the skills and motivation of employees of local executive authorities and local governments engaged in the implementation of projects of public-private partnerships;

- conducting an information campaign among business representatives to inform about the benefits of public-private partnerships and create a positive image of the state as a reliable partner.

#### 5. Enhancing cooperation in the framework of Euroregions as a factor of competitiveness growth:

- development of transport infrastructure in the direction of enhancing transit opportunities both within the framework of the Euroregions and in expanding

international communication;

- arrangement of border customs checkpoints in order to simplify border crossing procedures for residents of border areas and improve product sales within Euroregions;

- deepening interregional cooperation, simplifying product sales through the creation of a single common market for participants of Euroregions, strengthening cooperation and thereby uniting efforts in the competitive struggle for international product sales markets;

- ensuring food security through the establishment of agrarian cooperation in the framework of Euroregions;

- improving the ecological condition of the territories of Euroregions by attracting to the projects of ecological «green» investments [9].

Thus, economic security and competitiveness are in constant interaction. They are characteristics of the national economic complex and its components: competitiveness is the goal and indicator of the degree of development of the national economic complex, and economic security is the most important condition for its existence. The more developed the factors determining competitiveness, the more stable and viable the country's economy is in the face of emerging external and internal threats.

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## **THE ENTERPRISE ECONOMIC SECURITY: METHODOLOGICAL ASPECTS OF THE MANAGEMENT MECHANISM FORMATION**

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Ensuring economic security under the conditions of the market mechanisms development in the economy and the growth of private entrepreneurship is an extremely important task of the theory of economic science and the practice of an enterprise's economic activity. At present, the most acute problem/obstacle to the sustainable functioning of enterprises is the criminalization of the society, which afflicts even the successful companies in many areas of production and services. Among other serious obstacles are the corruption of the state officials and law enforcement agencies which are liable for the fight against organized crime in the economic sphere and lack of the sufficient qualified assistance to the enterprises in creating an effective system of economic security.

The problem of ensuring economic security has always been actual both on a national scale and in a separate enterprise. This problem becomes extremely important with the transition to a market economy.

In modern conditions, the process of sustainable functioning, development, optimization and rationalization of production of nearly all national enterprises largely depends on improving the mechanisms of their economic security management.

Currently, not all managers of enterprises are ready to assess and recognize the real need for a reliable system of economic security. The difficulty lies in the peculiarities of determining the specific measures necessary to protect those or other resources. Therefore, most managers' activity is limited to the creation of security units at the enterprise and almost completely neglect organizational, technical and legal methods and means of information protection, etc.

The study of the issue provides grounding to state that the economic security of an enterprise means the assurance of such a state of functioning of an enterprise,

which involves achieving a positive socio-economic effect, obtaining high profits and meeting the needs of both consumers and employees of the enterprise [8].

The mechanism of its implementation involves certain proceeding which implies gradual, in a certain sequence or simultaneous measures. It is their totality that forms the mechanism for managing the economic security of the enterprise.

The analysis of the scientific works of various scholars-economists testifies the lack of certainty concerning the interpretation of the concept of mechanism of providing economic security of the enterprise.

Thus, L.I. Donets and N.V. Vashchenko state that this concept can be interpreted as a set of tools, the organization of their use and control to achieve a high level of economic security of the enterprise [3].

N.P. Levkovets argues that the mechanism of ensuring the economic security of the enterprise represents a set of normative legal acts, methods and measures via which the Subject interacts with the Object to create the economic security and counteract the threats [5].

I.L. Shevchenko in his studies defines the mechanism of providing the economic security of the enterprise as a set of means and methods, which in the interaction with a system of management and control ensure a high level of the security [11].

L.P. Honcharenko and Ye.S. Kutsenko arrive at the conclusion that mechanism of ensuring economic security should be considered as an effective use of the corporate resources of the enterprise to provide its economic security. The authors refer to such resources capital, personnel, information safety, technology, equipment and human resources [2].

S.P. Mishchenko examines the formation mechanism of the enterprise economic security as an interconnected totality of structures, tools, methods and proceedings, which determine the security of business [7].

The most complete and optimal way of defining the concept of «mechanism for ensuring economic security» is the interpretation of it as a set of administrative, economic, organizational, legal, and motivational ways of harmonizing the interests of the enterprise with the interests of environmental entities, which provide the amount of profits necessary for staying in the state of economic security. Taking into account the specific features of an enterprise is also very important [1].

The purpose of forming the management mechanism of an enterprise economic safety is to provide and maintain an appropriate level of economic security, which will enable the enterprise to achieve a positive socio-economic development, obtaining a financial advantage or benefits (profit) and meeting the needs of both consumers and employees of the enterprise.

Accordingly, the purpose of management of the enterprise economic security is to ensure reliable protection of the enterprise vital interests and the very foundations of its existence from internal and external threats, the security, in which the management of the enterprise has the opportunity to determine independently the trends and forms of activity necessary to ensure the production of goods and

services in the volumes that contribute to the effective functioning of the entity.

The most significant structural element of the economic security management mechanism is the systemic support of its implementation at the enterprise, which includes regulatory, informational, organizational, methodological and resource support.

The objects of management of the enterprise economic security, which represent one of the elements of the investigated mechanism, are:

- different types of activity;
- property and resources of the enterprise (financial, logistical, informational, intellectual);
- the company's personnel, shareholders, various structural divisions, services, etc.

Accordingly, the subjects of management of the enterprise economic security are those persons, units and services, which directly deal with the security.

Having considered the above mentioned definitions, we draw the conclusion that the mechanism of economic security of an enterprise should fulfill the following functions:

- analysis of the threats to the economic security of the internal and external origin;
- formation and classification of the economic interests of an enterprise;
- formation of the resource potential needed to ensure economic security;
- envisaging the perspectives and planning (tactical and strategic) of economic security;
- tactical and strategic planning of the production potency and economic development of the enterprise;
- functional analysis of the enterprise economic security level;
- evaluation of the current level of economic security and diagnosing the ways of its improvement, etc.

In accordance with the suggested classification of the functions of the mechanism of economic security of an enterprise the mechanism management functions can be substantiated. Thus, the functions of the management of the economic security of an enterprise are as follows: planning (working out a strategic plan for ensuring the economic safety of the enterprise), organization (use of economic instruments for purposeful influence on the object), motivation (stimulating the ambitions to achieve the goals), control and regulation (comparison of the real state of things with the specified goals and evaluation of the comparison results aimed at the development of corrective measures necessary for elimination of all the shortcomings, deviations and failures detected in the process of control).

For the most part, at any enterprise, regardless of its size or sphere of activity, there are always threats for development coming from the outside or occurring within the enterprise. It is the system of economic security that protects the company from external and internal threats, reliably preserves and effectively utilizes its material

and financial potential [9].

Threats to the economic security of the enterprise may be the potential or real events, related either to the objective natural and technogenic factors or illegal actions of the individuals or legal entities. These actions violate the state of the business entity security and may result in the termination of the enterprise activities or cause serious economic and other losses [4].

The shortcomings revealed in the management system of the economic security necessitate clarification of certain principles of the concept, the compliance with which will provide a solid basis for the improvement of the economic security management functioning in general.

The management of the company's economic security is based on certain principles (general and specific), which are the initial theoretical provisions and rules of market activity [9].

The general principles of the economic security management of an enterprise include the principles of validity, timeliness, coordination, systemicity and comprehensiveness, flexibility and adaptation, legality, economic feasibility, purposefulness and comparability.

The specific principles of economic security management include the following ones: differentiation, variability, specialization, adequacy, continuity, resource saving, full accountability, convergence, acceptable risk, competence, efficiency and progressivity.

The main tasks of managing economic security of any economic entity are:

- protection of legitimate rights and interests of the enterprise and its employees;
- collection, analysis and processing of data and forecasting the developmental activities;
- careful study of partners, clients, competitors, applicants for work;
- anticipatory detection of possible threats to the enterprise and its employees from the external environment;
- preventing penetration of the economic intelligence structures of the competitors into the enterprise economic activities, including organized crime and individuals with unlawful intentions;
- detection, prevention and cessation of the possible illegal and other harmful activities of the enterprise employees threatening its security;
- counteracting technical penetration with criminal purposes;
- protection of the employees of the enterprise from violent encroachments;
- ensuring the preservation of the material values and information constituting the commercial secret of the enterprise;
- obtaining the necessary information to make the most appropriate management decisions;
- formation of a positive image of the company among the population and business partners, which contributes to the implementation of the plans of economic activity and facilitates the achievement of the goals;

- physical and technical protection of buildings, structures, territories and vehicles of the enterprise;
- compensation for the material and moral damage caused by the illegal actions of the enterprise administration and individuals;
- control over the efficiency of the company's security system operation in general and the improvement of its elements.

The main functional elements of the mechanism ensuring the economic security of the enterprise and its stable, sustainable development are labor, material, financial, intellectual and information resources. The result of the dependable economic security of an enterprise is the effectiveness of its functioning, profitability of the financial and economic activity meeting the needs of the consumers [9].

In view of this, the main functional components (directions) of the company's economic security are the financial, intellectual, personnel, technological, legal, informational, environmental, power, market and interface components.

Yu.A. Loktionova highlights the following elements of the mechanism of ensuring economic security as the most important ones [6]:

- detection of the real and prediction of the potential dangers and threats;
- finding ways to prevent, mitigate or eliminate the consequences of their impact;
- finding the forces and means necessary to ensure the security of the enterprise;
- organization of the interaction with law enforcement and controlling bodies for the purpose of prevention and termination of the offenses against the interests of the enterprise;
- creating the enterprise economic security service.

Thus, only under the condition of integration and proper organization of all the described above components of the economic security system the management mechanism of the enterprise economic security starts working. The main goal of this management mechanism is the effective functioning of the enterprise in general.

Appropriately, effective functioning of the management mechanism of the enterprise economic security will ensure a well-established process of resources preservation, access to the market information, minimization of costs and production of high quality products, increase in the level of the workers mastery and the production profits in general. The utilization of the advanced security systems and security facilities increases the enterprise economic security [10].

Thereby, the process of ensuring the economic security of the enterprise is considered as a process of implementing its functional components (the comprehensive use of all means of protecting the structural elements of the management system at every stage of activity). The aim of this process is preventing possible losses and achieving the maximum level of economic security. The greatest effect is achieved when all the resources, methods and measures function together in one single system, protecting the economic interests for the sake of achieving the economic and social goals of the enterprise.

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# **SUSTAINABLE AGRICULTURE DEVELOPMENT OF UKRAINE IN THE CONTEXT OF ECONOMIC, ENVIRONMENTAL AND FOOD SECURITY**

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One of the global challenges of human society at the beginning of the 21st century was the elimination of the threat of famine caused by a significant increase in the population of the planet. On this basis, agriculture of any country has become a strategically important branch of the national economy. Agricultural products are always liquid goods, as they form the basis of the food security of the state [24].

Effective agricultural development is possible only if the provisions of the concept of sustainable development are observed. This concept is becoming widespread as one of the significant global problems of humanity, which has interdisciplinary nature and is considered in many aspects and perspectives. First of all, it deals with solving of economic, social and environmental problems.

The problem of sustainable development of agriculture and food production is particularly urgent for Ukraine. To solve the food problem, it is necessary to increase the efficiency of agricultural production, which is achieved through the introduction of modern agrotechnics, high-yielding crops, but first of all – the improvement of the management system.

The essence of the notions “development” and “sustainable development” was and is studied by many scholars and researchers such as J. Schumpeter [26], L.H. Melnyk [10], V.M. Trehobchuk [20], V.A. Baranovskyi [2], A. V. Lisovyi [9], O. Neveliev [11], V.P. Kukhar [8] and many others. However, despite a significant number of scientific works on a given problem, there are a plenty of problems that should be studied.

The main approaches to the interpretation of the notion “development” are given in the Table 1.

Until now, in the academic community, there has been a discussion concerning exactly what kind of development should be considered as sustainable one. Most scholars think that development can be considered as sustainable only if there is an equilibrium between the various factors that determine the general standard of living. In addition, the cornerstone of sustainability of development is that the current generation has the responsibility to coming generations to leave sufficient supplies of social, natural and economic resources so that they can provide for themselves

such a level of well-being that is not lower than the one we have now. Thus, the conception of sustainable development has the fundamental task of combining dynamic economic development with the provision of the same opportunities for each member of society through increased resource efficiency and the elimination of the dependence between economic growth and environmental pollution [9].

*Table 1*

**Interpretations of the notion “development”**

Interpretation	Authors, source
Development is an irreversible, directed, natural change of material and ideal objects.	Philosophical Encyclopedia Dictionary [22]
Development is an irreversible, directed, natural change of the system on the basis of the implementation of internally inherent mechanisms of self-organization.	L.H. Melnyk [10]
Development is only the changes in the economic cycle that the economy generates itself, that is, only the casual changes of the “left to its own devices” national economy, the movement of which is not driven by external impulses.	J. Schumpeter [26]
Development is a process in which the possibilities and desires of individuals to meet their desires and needs of other people increase. It is more about how much a person or organization can do than what they already own, what economic status or level has been reached by them till a certain period of their existence.	Organization, development of production at the enterprise [12]

In scientific literature, in addition to the term “sustainable development”, the terms “balanced development”, “coordinated development”, “harmonious development” and others are used [4]. The main approaches to the interpretation of the notion “sustainable development” are given in table 2.

Sustainable development of rural areas should be considered as a process of harmonious development of rural residents through the creation of appropriate social conditions, ensuring the possibility of economic growth without damage to the environment. Such development determines the priority of ecology over economy, satisfaction of human material and spiritual needs. Ensuring sustainable agricultural development implies a coherent and balanced coexistence of environmental, economic and social spheres [4].

We think it is reasonable, first of all, to pay attention to the factors hampering the sustainable development of agriculture in Ukraine at this stage, in particular:

- the measures of state support and agricultural production in Ukraine are not financed properly;
- the creation of formally identical but not equal terms of activity for agricultural enterprises of different size has led to uneven development of various forms of economy management;
- the insufficient state support of small forms of economy management in rural areas;

- a low level of application of technical and technological achievements, wear of material and technical tools, insufficiently deep understanding of the meaning of quality as an integral system of production and sales of products;
- low salaries of employees in the business;
- the lack of proper motivation for workers in the agrarian sector;
- the lack of proper conditions for the life and work of rural residents;
- the imperfect credit and insurance system;
- the disparity in prices for agricultural and industrial products;
- significant losses of agricultural products due to the imperfection of the logistic component and storage conditions, as well as the infrastructure of the agricultural sector of the economy;
- low paying capacity of the population, which causes a slowdown in the development of the domestic consumption market;
- the noncompletion of the land reform;
- an insufficient level of self-organization and self-regulation of agricultural producers in formulating a common policy of protecting their interests;
- an insufficient level of investment attractiveness of the agrarian sector of the economy;
- low competitiveness of a significant part of agricultural products in foreign markets due to the slow adaptation to world food quality and safety requirements;
- military actions in the East of Ukraine, terrorist threats that have a very negative impact on the political, legal, social and economic situation in the country, pose additional risks and uncertainty to domestic producers, deter potential investors;
- the rapid deterioration in the economy of our state in general and the agroindustrial complex in particular;
- significant depreciation of the national currency and growing prices of means of production, as well as raw materials and materials, in particular agricultural machinery, spare parts, sowing material, fertilizers, plant protection products, etc.
- significant raise in prices for fuels and lubricants that are extremely necessary for agricultural producers.

A pressing problem of agriculture in Ukraine now is that, on the one hand, dynamically developing economic entities are largely lacking in skilled personnel; on the other hand, the underdeveloped infrastructure, poor living conditions create prerequisites for the growth of migration potential of rural residents and unsustainable rural development.

Sustainable development of agriculture has recently become more urgent in the policy of the countries of the European Union and the United States. The advanced European experience shows that the state policy of sustainable development requires coordination of the efforts of executive authorities, a wide range of public organizations, the “green economy” and the media. The study of sustainable development of agrarian production at the present stage is important for overcoming its crisis situation, further growth of productivity and efficiency, ensuring protection

of natural ecosystems [21].

Table 2

**Definitions of the notion “sustainable development”**

Interpretation	Authors, source
Sustainable development is economic growth, which effectively solves the most important problems of society's survival without depletion, degradation and pollution of the environment.	Trehobchuk V.M. [20]
Sustainable development is the development that provides a certain type of equilibrium between socio-economic and natural components of it.	Baranovskiy V.A. [2]
Sustainable development is such a direction of world economic growth in which the quality of life of citizens is ensured, which, on the one hand, is based on the modern achievements of scientific and technological progress that satisfy its current needs, but on the basis of its impact on the environment do not threaten future generations, on the other hand, quality growth is ensured on the levels of material, housing, social security, health care, environmental and personal safety.	Lisovyi A.V. [9]
Sustainable development is self-sustained development, an ideology of a reasonable and well-founded activity of a person who lives in harmony with nature and creates conditions for his/her better life and for future generations.	Kukhar V.P. [8]
Sustainable development is economically, socially and ecologically balanced development of certain territories, and urban and rural settlements (populated areas) located on them, aimed at coordinated formation and functioning of economic, social and environmental components of this development on the basis of rational use of all types of resources (natural, labour, industrial, scientific, technical, informational, etc.)	Neveliev O. [11]
Sustainable development is a system of mutually agreed managerial, economic, social, environmental measures aimed at developing a system of social relations on the basis of trust, partnership, solidarity, consensus, ethical values, safe environment, national sources of spirituality.	Strategy of sustainable development of Ukraine [18]
Sustainable development is the development that satisfies the needs of the present time without compromising the ability of future generations to satisfy their own needs.	Popova O.L. [16].

The model of sustainable development chosen by Ukraine provides a harmonious combination of an ever-growing economy with a minimal impact on the environment. However, a great number of both socio-economic and environmental issues still remain unresolved.

We are considering several groups of factors influencing the sustainable development of agriculture in Ukraine. Within environmental factors there will be the provision of the environmental protection and environmental security as a result of maintaining ecological balance in agrarian regions and throughout the country; the improvement of the environmental protection system in the regions; the introduction of ecologically harmonious agriculture.

Within quality factors it is planned to accelerate the process of implementation of European and international standards of safety and quality of products, as well

as to provide the state support to producers in obtaining quality certificates for entrance to foreign markets.

The signing of the Association Agreement between Ukraine and the European Union (the political part of March 21, 2014, the economic part of June 27, 2014) reveals new horizons to domestic producers, and at the same time, it has new challenges. On the one hand, Ukraine is opening the prospects of gradual development of the EU market by domestic companies, raising the level of quality, safety, environmental characteristics of Ukrainian agricultural products, improving the condition of the food security of the country. On the other hand, the requirements for the quality of domestic agricultural products are raising. The activities of enterprises of the agrarian sector of the economy should increasingly meet the European and global requirements. Potential entrance to new markets necessitates to increase the competitiveness of domestic producers.

Within regional factors there will be functional compatibility of various activities in a certain territory; the improvement of resource factors, factors of location, the improvement of conditions of development, consideration of the climatic conditions.

Such a group of factors as organizational and management ones consists of a subgroup of factors of lower order. Thus, the subgroup "development of rural areas" provides the development of local self-government for the formation of socially organized and responsible civil society in rural areas, increasing the attractiveness of living of the population in rural areas, improving the competitiveness of rural areas, improving information support for rural residents, a flexible response of territorial authorities regarding identification of local opportunities, satisfaction of needs, interests and expectations of inhabitants.

The subgroup of macroeconomic factors involves ensuring macroeconomic stability, increasing the gross domestic product, ensuring economic growth in agriculture.

And, of course, the influence of the state is always essential. The state should ensure transition to sustainable agriculture and sustainable development of rural areas, as well as accelerate the process of implementation of land reform.

As O. O. Hutorova points out, for Ukraine, where the level of urbanization is one of the lowest in Europe, and the share of agricultural production in the structure of the GDP of the state is the highest among the European countries, the policy of rural development should be one of the priorities of the state regional policy [6].

The situation has made progress, as at present, the administrative-territorial reform is being implemented in Ukraine, the result of which is the creation of new united territorial communities and the formation of local self-government bodies. This reform is an integral part of the decentralization of power in Ukraine and aims at ensuring the effective enjoyment of citizens' rights, the provision of adequate public services, and the expansion of rights and power of local communities. The main idea of the administrative-territorial reform is the strengthening of local self-government. The most important advantage for rural development is the transition

to a bottom-up development policy and not vice versa. Enhancing the very potential of rural residents will facilitate their inclusion in development processes that can be initiated from above. That is, the overall strategy will be outlined from above, however, a lot will depend on the grass-roots level. It is expected that as a result of the reform, full-fledged local self-government will emerge in Ukraine, which, as the experience of neighbouring European states shows, is a prerequisite for the successful development of the state as a whole [5].

The first priority task in the formation of the current state policy for the development of rural areas should be to develop a well-grounded and adequate (in accordance with the current conditions and challenges) real rural development program and its adoption at the highest state level. The main issues of such a program should be defined: legislative and legal consolidation of the status of rural areas (as an object of regulation); determination of the economic base of their development; formation of active state support of agriculture on the basis of reduction of tax pressure on subjects of this activity; creation of an effective system of lending and insurance of their activities; an administrative and territorial reform; organization and formation of the land market; development of social and institutional infrastructure of the village, etc. [6]. To achieve the sustainable development of Ukrainian agriculture, it is necessary to improve rather than destroy the interconnections between ecosystems. The result of such actions will be an increase in quantitative and qualitative service flows from the resource base of agriculture, that is, the mutually beneficial use of resources by nature and man. In addition, the conservation and restoration of a resource can be achieved through the introduction and monitoring of the efficient use (consumption) of renewable and non-renewable resources, the promotion of biodiversity development, the optimal use of land resources and the extension of closed-loop production systems [15].

Thus, to minimize the impact of negative factors on the sustainable development of Ukrainian agriculture, efforts should be made to increase the living standards of the rural population, improve the efficiency of agricultural production, and, at the same time, its ecologization, and enhance the role of the state in solving problems.

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## **ECONOMIC SECURITY OF ENTERPRISES: THE ESSENCE, FACTORS OF INFLUENCE, AND METHODS OF PROTECTION**

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Under modern crisis conditions of the state economy, the economic subjects have to adapt to the factors of political and social-economic instability and look for adequate decisions of the most complicated problems and ways to decrease the threats of their functioning. At present, the questions of ensuring economic security are the most important for Ukrainian enterprises; the problem of creating and implementing the systems of economic security arises, the security, which is capable to create the conditions for lowering the level of threats for enterprises'

activities.

The problems of analyzing and evaluating the state of economic security at different levels of the economy have lately become especially important and they have been considered in the papers of many scholars, Blank I., Varnalii Z., Goracheva K., Datskiv R., Dykan V., Illiashenko S., Kyrychenko O., Kosachenko A., Nasarenko I., Prygunov P., Sosnin V., and others are among them. The main problems, which are investigated in the papers of these scholars are: complex developing of theoretical, methodological and applied questions of ensuring the economic security of enterprises based on theoretical substantiation of the mechanism of economic security and recommendations as to its implementation.

The aim of the research is generalizing the notion of economic security of economic subjects, determining the main properties of economic security and the factors, influencing the economic security inside and outside the enterprise.

The economic security of enterprise is a complex notion, including the totality of factors connected not only with the internal condition of the enterprise itself, but also with the influence of the external environment, with its subjects, with which the enterprise interacts [8]. Several approaches as to determining the essence of the notion “the economic security of enterprise” are distinguished. We are going to consider and evaluate some of them (Table 1).

In our opinion, under market conditions, ensuring the economic security of enterprise consists in timely revealing and neutralizing the threats to economic stability. It enables to state, that the economic security of enterprise is the system of protecting vitally important and legal interests of enterprise from external and internal threats in different forms, which ensures its stable development in the conditions of competition and economic risk.

In order to understand and estimate the level of enterprise’s economic security, it is necessary to reveal its determining factors in time. Volkova M.N. maintains that the factors of enterprise’s economic security are a complex of external conditions, affecting the parameters of security [2].

As a complex system, the system of economic security of the economic subject has individual peculiarities and it develops under the influence of external and internal factors.

As the research has shown, there are many factors of threats and other destructive circumstances which may affect the financial-economic results of enterprises’ activities.

The importance of different factors of influence can change with the time. Each enterprise, coming from the concrete situation must determine (forecast) the most meaningful (dangerous) factors of the external and internal impact and work out the system of measures as to their timely revealing, preventing, or weakening.

**The approaches to determining the notion of  
“the economic security of enterprise”**

The author and source	The definition of the notion
Manokhina N. [4]	it is the system, which ensures the mobilization and the most optimal management of enterprise's resources aimed at ensuring its sustainable functioning, active counteraction to various negative impacts of the external environment
The aim is the efficient using of enterprise's resources, which ensures the prevention of threats, arising from the external environment, and ensuring the stable functioning of the enterprise both at the present time and in future	
The evaluation – it does not take into account internal threats	
Zubyk V., Zubyk R., Sedegov R., Abdula A. [5]	the protection of vitally important enterprise's interests from internal and external threats. This protection is organized by the administration and personnel of the enterprise by implementing several measures of legal, economic, organizational, engineer-technical, and social-psychological direction
The aim is the protection of enterprises' and personnel's property from the sources of the external and internal threats to security, prevention of breaking the law, and also the reasons and conditions causing them, and also the prevention of emergencies	
The evaluation – the vision of enterprise development prospects is lost; economic security is limited to enterprise adaptation	
Kosachenko A., Ponomariov V., Liashenko A. [7]	it is the measure of harmonizing in time and space of enterprise's economic interests with the interests of connected external environment subjects acting outside the enterprise
The aim is to harmonize economic interests with the interests of the external environment subjects: consumers, suppliers, competitors, the state and society on the whole	
The evaluation – it does not take into account the impact of internal threats, does not reflect the prospect of enterprise's development	
Sosnin V. [11]	it is the degree of security of vitally important and legal interests of the enterprise from internal and external enemies, which is manifested in different illegal forms
The aim is preventing losses in the activities of the organization as a result of elucidating or losing the information, unauthorized access to the sources of confidential information; plundering financial and material-technical means; destroying property and values; upsetting the operation of technical means in production activity, including the means of information, and also preventing the personnel incomes' decrease.	
The evaluation – it has a declarative character, as the protection of economic interests is limited to protecting the information containing commercial secret	
Yarochkin V. [12]	the organized totality of special bodies, services, means, methods, and measures, which ensure the protection of vitally important interests of personality, enterprise, the state from internal and external threats
The aim is not to allow losses in enterprise's activities by disclosing confidential information; plundering financial and material-technical means; destroying property and values; upsetting the operation of technical means of production activity, including the means of information, and also preventing the personnel incomes' decrease.	
The evaluation – the problems of enterprise's economic security are limited only to the protection of commercial secret, which testifies to the simplified approach to considering the essence of the problem. In case of such a narrow understanding economic security all the spectrum of influencing the enterprise by the external environment as a main source of security for its activities is not taken into account	

The following factors of economic security can be considered as external:

- the saturation of production factor markets (means of production, labor resources, finance): it influences pricing and changes the cost of resources;
  - the intensity of competitiveness in the branch and region: it affects the profitability of production;
  - ecology in the region: it determines the possibilities of definite production in the definite region;
  - economic policy of the state: it influences the import of raw materials and export of products, the conditions of enterprise's existence;
  - fiscal policy of the state: it directly affects the accounting policy of enterprise;
  - the position of banking system: it directly influences the activities of enterprise.
- Bankruptcy of servicing banks and hanging of money on their accounts negatively affect the financial position of enterprise;
- the level of inflation: it causes the fluctuation of wages, prices on raw materials and manufactured products, the profitability of production, and so on.

The totality of internal factors of economic security can be divided into the following levels [7]:

- the level of protecting information: it ensures the protection of the data having commercial secret;
- the level of internal management: it determines the quality of long-term, medium-term, and operative planning and affects all the production-economic activity of enterprise and its efficiency;
- product quality management: it enables to preserve the competitive advantages on the market of supply, ensuring the stable level of sales volumes and positive dynamics of financial indices;
- the strategic planning of activities and economic policy of enterprise: this factor influences the financial independence and stability. It is implemented by the strategic and current planning, determining the directions of development, economy of production, selecting resources, prognosticating optimistic and pessimistic scenarios of enterprise development, estimating changes in the external environment;
- the level of the used production technology; it ensures the competitiveness of products, the situation on the sales market, the level of production competitiveness. Outdated production technologies do not enable the enterprise to achieve the indicated parameters;
- the level of the personnel qualification: this factor is ensured by employees' diligence, the quality of selecting personnel by enterprise, quite precise assessing of the personnel's qualification, the availability of the personnel's motivation system, and educational level of executives. All the above mentioned factors enable to prevent specialists-spies from competitive firms, disclosing of commercial secret owing to a high level of discipline and self-consciousness;
- marketing: the studying of sales markets and conducting correct marketing

tactics and strategy enables to raise the volume of profit from production activity and, hence, raise the profitability and financial stability;

- innovation activities: this factor enables to use the latest developments in production technology, raising the competitiveness of products and lowering the expenses on their manufacturing;

- force-majeure circumstances: accidents, fires, explosions, interruptions in energy, water, and heat supplies, putting computers out of operation, and so on.

The level of enterprise economic security depends on the fact, how efficiently its executives can prevent internal and external threats and liquidate harmful consequences of separate negative impacts of the external and internal environment. While changing one of the corrected factors for minimizing the risk in the system of ensuring economic security, chain reaction is observed, applying to all the factors and creating new mechanisms of the factors' interaction [1, p.p. 29-30].

Logutova T.G. notes, that external and internal factors may harm the economy of enterprise in four cases: the system of enterprise economic security is made in such a way, that it cannot predict the threat of its arising; the threat appeared, but the executives, who are responsible for enterprise economic security, are not able to prevent its negative consequences; the administration of enterprise tries to solve the problem, but its actions do not lead to the positive result [9, p. 205].

General and special security measures are distinguished. The main aim of general security measures is the prevention of arising possible threats, developing and following security regulations, regulating and motivating the behavior of employees in the organization.

The main aim of special measures is ceasing the threat at any of its stages by confidential methods of work methods of actions in extraordinary situations. The employees, for whom it is their main activity, implement special security measures.

The methods of protection against threats and neutralization of their negative consequences can be presented by several directions [2, p.p. 144-145; 10, p.p. 193-199]:

- the methods of evading threats: refusing unreliable partners, suppliers; refusing to make risky decisions; lowering the share of loans in the economic turnover; declining bank credits, if the state of the financial market is unfavorable for enterprise; refusing any investment policy with the aim to support a high level of enterprise solvency, and so on;

- the methods of threat localization: distinguishing “economically dangerous” sections; consistent breaking-up of enterprise;

- the methods of transferring risks form threats: insurance; search of grants; hedging; financial guarantees, warrants; entering special terms to the texts of agreements as to decreasing personal responsibility of enterprise in case of unforeseen circumstances or those that transfer the risk to the counterparty;

- the methods of compensation: self-insurance by creating the system of reserves; developing and introducing the system of fine sanctions for enterprise

counterparties; strategic planning of activities; prognosticating foreign economic activities; monitoring social-economic and regulatory-legal base; active and purposeful marketing; fighting industrial espionage;

– the methods of diversification: diversifying the kinds of activity and economic zones; diversifying the assortment of manufactured products; diversifying the suppliers of the main groups of products, and so on;

– the methods of limitation: establishing the corresponding economic and financial standards; fixing the maximal amount of the total stock of goods at enterprise (the stock of current replenishing, seasonal storing, target predestination); establishing the maximum amount of using borrowed money in turnover ( or its share in the total sum of the used capital); fixing the maximal amount of deposit payment, allocated in one commercial bank and so on [2, p.p. 144-145; 10, p.p. 193-199].

Each of the methods has its limitations when used. However, their correct uniting assists in lowering the level of the probability of appearing the threat and the level of its impact on the object of economic security. Under modern conditions minimizing the threats, insurance (external and internal), and diversification are the most effective methods of protecting from the threats and their neutralizing.

Thus, the level of enterprise economic security depends on the fact, how effectively its administration and specialists will be able to evade possible threats and liquidate harmful consequences of separate negative components of the external and internal environment. That is, it is necessary to reveal in time the kinds of threats, determine the sources of their arising; to take care beforehand about the selection of measures and methods, ensuring the detecting a risky situation and the liquidation of its reason at the very beginning. While choosing the methods and ways of neutralizing the negative impact of threats and dangers' factors, it is necessary to take into account the versatility of the components of enterprise economic security and the specifics of work in the branch in which the enterprise functions.

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## **ECONOMIC SECURITY OF AGRARIAN ENTERPRISE: ESSENCE, CONSTITUENTS AND FACTORS OF PROVIDING**

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The level of safety is an important criterion for the effective operation of an enterprise; it is a combination of techniques and methods for neutralizing potential hazards and threats as well as creating opportunity for ensuring effective operation and economic growth in accordance with the developed strategy of the enterprise.

The conception of economic security actually arose with the advent of statehood and is part of the national interests of each country. In order to ensure the economic security of the country and determine its main constituents, first of all, it is necessary to perfectly study and analyze the concept of “economic security.

The term “economic security” relatively recently appeared in Ukraine, although in the practice of Western economies has been widely used for a long time. As early as the 1930s, in the United States the federal committee on economic security was established and laws on economic security (The Economic Security Act of 1935) were adopted during the T. Roosevelt presidency. Since 1970s, the concept of “economic security” began to be understood as a constituent of national security, after which this concept come into common use in economically developed capitalist countries. In the USSR, the problems of economic security were mainly interpreted from the point of view of foreign economic activity or economic crime, and the strengthening of the defence system. In Ukraine the beginning of research on

“economic security” is considered the 1990s, due to the publication of the textbook “Ekonomichna bezpeka derzhavy” (Economic security of the state), authored by the academic economist N.A. Pasternak-Taranushenko [6].

The enterprise economic security is the economic condition of the enterprise that is stable to internal and external changes in its financial and economic activities and is not related to force-majeure circumstances [2].

A considerable amount of approaches to definition and interpretation of the essence of the category “enterprise economic security” allows defining alternative aspects of its application in the practical activity of the enterprise.

Lviv scientists S.I. Urba and I.O. Ivonchak, in the context of considering the genesis of the category “security” and generalizing the main theoretical approaches to the definition of the concept “economic security”, consider that the strategic approach is the most common (Fig. 1).

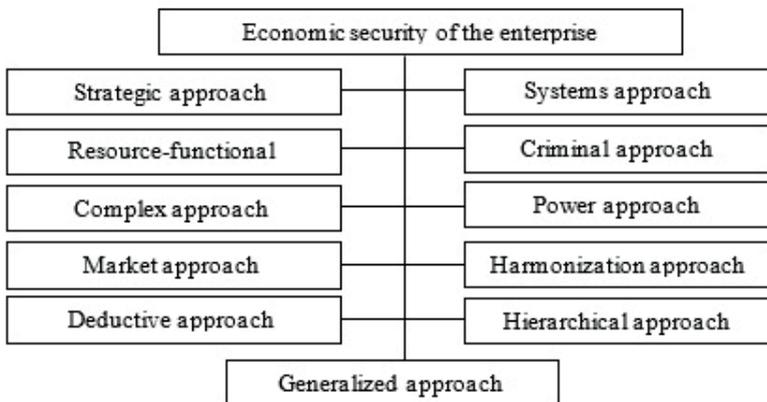


Fig.1. The main approaches to the definition of the category “economic security of entrepreneurship” [9, p. 81].

It provides for ensuring the decent level of the enterprise economic security due to the preservation and accumulation of its intellectual and human potential, the protection of information resources, technologies, capital, etc. [9, p. 81]. This approach is achieved due to combination of systems of special legal, economic, informational and technological, organizational and social measures [5, p. 275].

To summing up the above-mentioned approaches, the enterprise economic security should be viewed as the condition of the most efficient use of corporate resources, preventing the weakening of protection from existing threats or hazards and achievement of business goals in the conditions increasingly competitive and economic risk.

**Systematization of factors influencing the formation  
of the enterprise economic security**

Factors	Method of influence
Factors of production	To carry out a direct impact on the activities of the enterprise; these include the territorial location of the enterprise; natural resources at its disposal; existing production infrastructure, etc.
Change in market	It is caused by scientific and technological progress, state intervention, the influence of inflation, seasonality, etc.
Supplier reliability	Pricing policy of the enterprise is based on the cost of raw materials, supplies and semi-finished products; insufficiently properly executed long-term contracts for the supply of raw materials and supplies
Competence of the enterprise management	Degree of professionalism of top management in making certain management decisions
State regulation of the enterprise activity	Creation of conditions by the state to promote production growth, protect the rights of national producers, develop and implement sound fiscal measures, etc.
Reliable protection of commercial secrets	The state's ability to guarantee the secrecy of scientific and technological developments, support of intellectual property, etc.

*Source: constructed by the author on the materials [8, p. 50]*

The causal relationship causes the influence of several factors on the formation of the enterprise economic security. In particular, these include the following (Tab. 1).

The enterprise economic security is provided simultaneously on several levels (Fig. 2). In particular, solution of current economic problems associated with the optimization process of using the available resources of the enterprise occurs at the operational and tactical level [8].

More ambitious decisions aimed at the formation of goals for the future enterprise activities, the choice of a strategy to achieve the goals, the development of strategy for using the main competitive advantages of the enterprise are made at a strategic level [3, p. 276].

Agriculture is one of the important sectors of the economy, the development of which contributes to strengthening the economic and state food security and increasing the material well-being of the population. This is one of the leading sectors of the economy for Ukraine. For a long time, the development of the agricultural sector of Ukraine characterized by instability. This is due to the fact that agricultural production is at the top of the economic risk. The agricultural enterprise faces a huge number of risks and threats during each production cycle (Tab. 2).

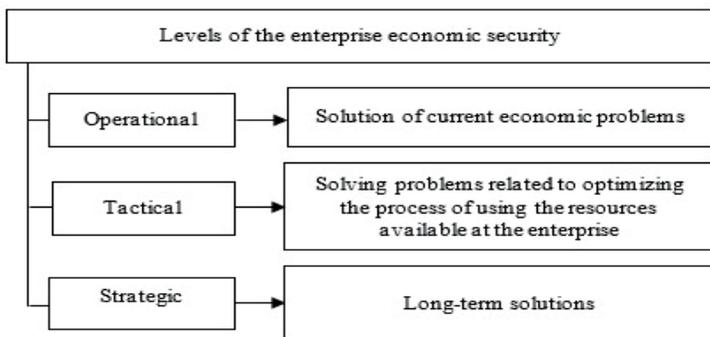


Fig. 2. Levels of the enterprise economic security [constructed by the author on the materials [8, p. 50]

Table 2

**Systematization of risks of the subjects activity of agrarian business**

Types of risks	Form of manifestation
Natural and climatic	Freezing, ice crust, asphyxiation, rotting, hail, hurricanes, rainfall and droughts, pests, diseases, fires, lightning, dewatering in the fields, flooding, etc.
Production	Technological, lack of equipment, plant protection products, mineral fertilizers, qualified personnel
Soil fertility decline	Violation of crop production technology
Marketing	Lack of the necessary market and transport infrastructure, a significant increase in cost due to high marketing costs, packaging
Price	Price disparity, seasonality of product sales
Financial	Unavailability of financial and credit resources, currency risk, high loan rates, operational, debt security
Legal	Property, contract and personnel management risks
Institutional	Laws and orders of the government, local authorities, the situation on the global market for agricultural products, regulatory policy, inconsistency and contradiction of state policy in the agricultural sector
Informational	Availability of information regarding the market situation, the state of the information infrastructure, lack of information about the business environment
Personnel risks	Qualification and motivation of specialists, their adaptability to the market environment conditions, level of personnel management at the enterprise

*Source: constructed by the author on the materials [4]*

The economic security of an agrarian enterprise is its adaptability, in which the production cycle is change protected from the external and internal environment at all production stages, the threat of the risks impact on the economic performance of the enterprise is minimized, and the requirement to disclose the potential of the

enterprise is observed [6, p. 207].

The main functional constituents of the economic security of an agricultural enterprise are: supplies and raw materials, ecological, personnel, intellectual, technical and technological, informational, institutional and legal (Fig. 3).

Agriculture is a debt capacity sector which does not normally develop without attracting additional financial resources, primarily in the form of short-term loans for the purchase of inventories to ensure an uninterrupted production process [1]. In addition, land is the main mean of production in agriculture and requires its reproduction, causes the need for investments aimed at preserving and improving soil fertility [1].

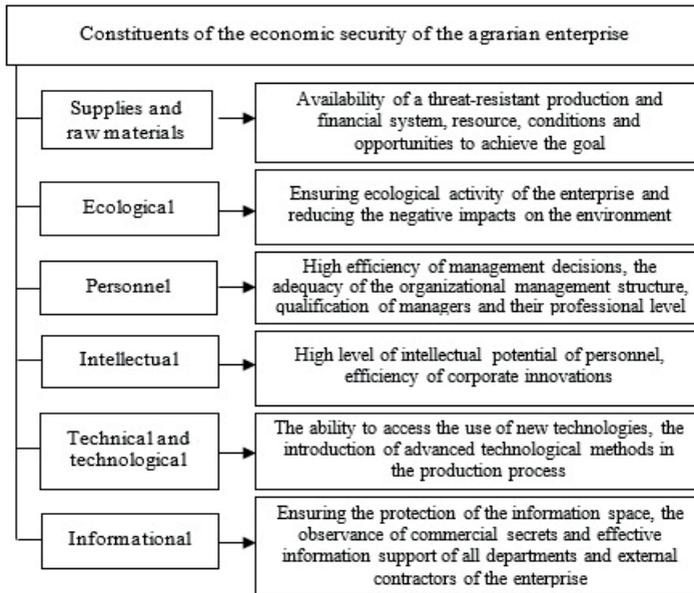


Fig. 3. Constituents of the economic security of the agrarian enterprise

Recently, humanity is getting on to the fact that all the achievements of scientific and technological progress, high production efficiency is nothing in case, when the natural and ecological efficiency, the health of the nation, the product quality decrease. Nowadays, production of high-quality environmentally friendly agricultural products should be accompanied by investments in the development of organic agriculture, which reduces the use of artificial fertilizers and increase the amount of organic matter.

In the Ukrainian agribusiness, despite a generation not just an owner or a farmer, but a “landlord”, there is still low labour capacity due to the use of labour-intensive technologies and the unmotivated ordinary employee. The remuneration rate is the

primary motivational factor in rural regions, which directly depends on the volume of investments aimed at developing the personnel potential developing of the agricultural enterprise.

The institute of family farming is still in early stage, interested in the results of its labour and the reproduction of land fertility. There is a low level of innovation in rural regions, due to unwillingness to cooperate with advisory or services.

The technical and technological constituent of the economic security of modern agrarian enterprises is characterized by the following post-crisis elements: weakness of fixed assets and infrastructure, outdated technologies, high energy intensity of the economy, etc.

The average age of material production funds is 21.7 years. The requirements for its renovation are satisfied only by 37.3 % [7]. It requires substantial investment and financial support for the development of the agricultural business, will help provide agricultural enterprises with machines for tillage, fuel, fertilizers, building materials, etc.

The domestic commodity producers are not adequately represented in international information networks, which prevents them from creating and maintaining positive image abroad, demonstrating their potential and competitive advantages [2].

The low level of political and legal stability, regulatory obstacles to the creation of a new business, the lack of subsidies and any forms of state support, bureaucracy and corruption – all of these components do not contribute to the effective development of the institutional and legal security of agricultural enterprises.

Therefore, the transition from a factor to a strategic investment model with a subsequent expansion of innovative development factors is still relevant. Also, the production and technological modernization of agricultural production is important [7].

It should be noted that various components of economic security are important for various types of business activities, therefore it is worth a balanced approach to the definition process, taking into account the type of activity of a particular enterprise.

As a conclusion, it should be noted that the enterprise economic security is a complex and multifaceted concept, as evidenced by the diversity of scientific views on interpretation of its essence, the definition of its main constituents and influence factors. In addition, economic security includes a number of measures that can ensure the sustainability and competitiveness of the enterprise. The priority tasks of ensuring a sufficient level of the enterprise economic security should include developing directions for warning and preventing threats and minimizing their negative consequences, increasing the quality and accuracy of the analytical assessment of the production consumables, focusing on the technical and technological and intellectual constituent of the enterprise economic security.

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