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**FINANCIAL RESOURCING AT MICRO-,
MESO-, AND MACROLEVELS: SOCIAL,
SECURITY, AND FISCAL DIMENSIONS**

Collective monograph

Edited by Maksym Slatvinskyi

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Recommended for readers interested in economic issues, academics, professionals, postgraduates, educators and students.

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PREFACE

Resource provision of enterprises at the present stage of economic development should be considered as an economic basis, a real force of enterprise development, characterized by a system of indicators that reflect not only the available resources, but also their reserves, which can be used under certain conditions.

The efficiency of managing the resource potential of an enterprise is achieved under the following conditions its rational use to obtain the full end result in the form of production of high quality products.

Improving the efficiency of resource potential management, ensuring its rational use is largely associated with qualitative changes in the composition of resources and increasing efficiency in their management. The task of increasing the efficiency of managing the resource potential of enterprises is, first of all, to improve the use and management of enterprise resources and in increasing their integrity, which manifested in their close interconnection.

Crisis and rapidly changing environmental conditions create new challenges for enterprises challenges and tasks. This concerns the efficiency of both the production process itself and the functioning of the enterprise as a whole. The competitiveness of an enterprise in the market

directly depends on the resource support of its activities and the established management system. Actualization of the problem of resource support for the enterprise's activities is determined by the limited resources and their high cost.

Ensuring the planned financial results by the enterprise is achieved by having adequate resources to support its operations. Enterprises should fully utilize their own resources and mobilize progressive resources that will ultimately ensure the achievement of economic, social, environmental, and innovative effects. Having sufficient resources for the enterprise means to have the necessary opportunities and certain conditions for its development and normal functioning in accordance with set goals.

Financial resources are an integral part of a corporate enterprise, which that determines the conduct of its business activities. Since it is the funds that are the source that ensures the formation of all other resources, and the

availability of sufficient resources is the main condition for the functioning of the enterprise. The imperfections in the management of processes related to the issue under study, directly leads to the decline of the economy as a whole. At the enterprise level, there are a significant number of problems at all stages of activity, a decrease in its market competitiveness and inability to adapt to changes if necessary, and expanded reproduction becomes unattainable. Thus, enterprises need to take a balanced approach to managing their activities, namely, to adhere to the optimal strategy for the formation and use of financial resources.

The monograph is devoted to solving urgent problems of financing resource provision at the micro, meso- and macro- levels.

The monograph consists of eight chapters, which are structured in such a way that each of them contains the results of a scientific and practical study of certain aspects of resource provision financing in modern conditions.

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Chapter I

OPTIMISATION OF ENTERPRISE COSTS IN THE MODERN CONDITIONS

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Introduction. The main goal of an enterprise in a market environment is to increase the competitiveness of production and maximize profits, which is defined as the difference between income from the sale of goods and the current costs of their creation and sale, so it is difficult to overestimate the role of cost analysis and management.

and management. The current business environment and the increasing role of the latest technologies in the world place new demands on the cost management system.

The company's activities depend on the rational use of all types of resources, which necessitates the transition to an optimal cost management system. There are several main reasons that make companies constantly work to optimize their current costs and look for ways to save resources: creating additional cash reserves to invest in their own development, the need to reduce the cost of products or services to strengthen the company's competitive position in the market, and increasing production volumes.

The urgency and high socio-economic importance of the cost management problem necessitates a thorough study and determination of the optimal structure of marginal costs, their role in expanding production and maximizing profits [1, p. 118].

Literature review. Research on the theoretical foundations of cost management and methods of their optimization were considered in the scientific works of many scientists, namely: L. V. Husarova [1], O. V. Kosynska [2], S. F. Holov [3], I. E. Davydovych [4], H. M. Kolisnyk [5], and others. A significant number of scientific papers indicate the relevance of the chosen topic, but in order to identify effective measures and methods for optimizing enterprise costs, it is necessary to systematize and specify the approaches of scientists to solving these problems.

Results. In the current economic environment, an enterprise faces the need to rationally form costs and determine the conditions of activity under which it is possible to minimize production costs and increase output in order to maximize the enterprise's profit.

To achieve this goal, the company must establish a cost management system.

Cost management is a dynamic process that includes management actions aimed at achieving high economic results of the enterprise. It is not limited only to cost reduction, but extends to all elements of management [3].

According to UAS 16, expenses of the reporting period are recognized as a decrease in assets or an increase in liabilities, which leads to a decrease in the company's equity (except for a decrease in equity due to its withdrawal or distribution by the owners), provided that these expenses can be reliably measured [6].

Therefore, the main task of cost management is to find the most efficient way to use the available resources, namely, cost optimization, and it depends on the adopted strategy of the enterprise's development in the market and its goals [2, p. 231].

The process of optimization of the enterprise's activities is a way to find the most effective methods of management, in which the enterprise would receive the maximum effect with minimal costs.

Cost optimization is a continuous process of planning, analyzing, accounting and controlling costs, as well as making decisions on further economic strategy and policy of the enterprise using tools to motivate employees at all levels of the established organizational structure, in which planning is carried out to determine the required level of costs to ensure the efficient operation of the enterprise, as well as to calculate the profit that will be received at a certain level and structure of costs.

A comprehensive analysis is performed to determine the degree of cost rationality and assess the impact of relevant factors on their level.

Considering costs in terms of competitiveness, it can be stated that they reflect all aspects of the economic activity of enterprises, their achievements and shortcomings. The level of competitiveness is related to the volume and quality of products, the use of working time, raw materials, equipment, and the cost of labor, which is manifested in the cost of production, which is directly included in the company's expenses. Therefore, optimization and management of the company's expenses will

have a positive impact on the level of competitiveness of the company.

Enterprise cost management is a process of purposeful formation of their optimal level by the respective types, places of occurrence, carriers and other features. The optimization criterion is the minimum cost. Low costs allow a company to gain certain competitive advantages in the market, to freely pursue its pricing policy and, *ceteris paribus*, to achieve higher profits. However, cost reduction is an important task, but not the main goal of the cost management process, since cost reduction may be accompanied by a decrease in the quality of manufactured products and customer service, refusal to produce and sell those types of products that are in demand but require significant costs, etc.

The object of the enterprise cost management system is the cost mechanism, which includes the following functions:

- accounting – involves observation, identification, measurement and registration of the facts of resource consumption in the process of economic activity of the enterprise;

- analysis – carried out to determine the degree of rationality of costs and assess the impact of relevant factors on their level;

- planning – is carried out in order to determine the necessary level of costs to ensure the effective operation of the enterprise, as well as to calculate the profit that will be obtained at a certain level and structure of costs;

- organization – is to determine the places of cost formation and centers of responsibility in order to track the causes of cost overruns or savings and identify those responsible for this;

- management – is to make decisions in the field of costs in order to justify the feasibility of production of certain types of products, the choice of equipment and technology, the formation of the product range of the enterprise, because the amount of costs necessary to implement this decision depends on the decision [1, p. 176].

The amount of costs affects the value of the financial result of the enterprise, which in turn affects the level of competitiveness of the enterprise.

Cost analysis, as an integral element of the control function, helps to assess the efficiency of using all the resources of the enterprise, identify reserves for reducing production costs, collect information for preparing plans and making rational management decisions. Special types of analysis are aimed at: assessing the volume, composition and structure of costs by

life cycle stages; assessing the validity of forecasts and plans; identifying and analyzing the causes of deviations of actual indicators from planned ones; identifying the causes and locations of increased costs in order to prevent or minimize possible damage; preparing options for management decisions to minimize integrated costs during and after completion of work on each stage of the product life cycle; objective assessment of the contribution of organizations and individual.

In order to effectively manage an enterprise's costs, an appropriate management system should be formed.

In our opinion, it is also advisable to introduce a special function in the cost management model aimed at rational reorientation of the resources available at the enterprise in order to develop the priority activities of the enterprise in the most efficient way. This requires the organization of a periodic review of existing priorities in the allocation of resources.

The function of economic standard control aimed at maintaining a given cost-benefit ratio throughout the entire product life cycle deserves a special characteristic. The implementation of this function in the cost management system is aimed at preventing unreasonable costs and inefficient, low-profit activities of the enterprise.

The problem of enterprise cost management is that: on the one hand, it is necessary to strive to reduce the cost price, on the other hand, there is a whole group of costs that cannot be reduced (health and safety, environment, etc.).

The conservatism of the overall production technology creates a situation in the industry in which it is difficult for an individual enterprise to achieve an economic advantage through technological improvement. Correct regulation of production costs comes to the fore again and provides the company with an advantage over competitors.

Thus, cost management is a dynamic process that includes managerial actions aimed at achieving high economic results of the enterprise. The direct cost-price relationship has structured features. In addition, the task of cost management should be solved at all stages of the process of enterprise cost management at all levels of management, both at the enterprise level and at the places of cost generation.

The structural units should look for additional resources to reduce current costs, and the enterprise should implement a strategy for effective resource saving in the long term. Measures to reduce them should be coordinated to, firstly, guarantee product quality and, secondly, motivate

staff to search for hidden reserves.

Any enterprise in the economic system is considered as an independent unit of activity, regardless of the owners of the capital. The operation of an enterprise is impossible without incurring administrative expenses. The level of expenses reflects the achievements and shortcomings of the enterprise as a whole and of each subdivision structure.

The systematic reduction of costs is of great economic importance, as it allows for an increase in profit per hryvnia of expenses at stable market prices and increases the competitiveness of products.

Cost management is not an end in itself, but it is absolutely necessary for a company to achieve a certain economic result and improve its efficiency. The functions of cost management are primary to production, i.e. to achieve a certain production, economic, technical or other result, costs must first be incurred. Therefore, the goal of cost management is to achieve the intended results of the enterprise's activities in the most economical way.

Organization and control involve identifying cost centers and responsibility centers in order to identify the causes of deviations and the persons responsible for them, while decision-making in the area of costs is carried out to justify the feasibility of producing certain types of products, choosing equipment and production technology, forming the optimal product range of the enterprise, etc. To manage costs and optimize them in a comprehensive manner, it is necessary to provide managers with important information and organize communications between them, which requires the creation of a cost management information system. In market conditions, management accounting is a functional subsystem of the cost management information system. It performs the functions of providing the management apparatus with specially prepared information for decision-making and its movement between management levels [2].

When analyzing the company's expenses, it is necessary to take into account the volume and structure of production, the efficiency of the company's personnel and fixed assets, as well as the level of production costs, which will allow to clearly establish the sources of coverage and the efficiency of the use of the company's funds and determine the main measures for their optimization.

In order to determine the structure and accounting of expenses, they are divided into two main groups: the first group of expenses is included in the cost of sales, and the second group is accounted for separately. The first

group includes labor costs, costs of purchasing raw materials and supplies, social contributions, depreciation and other operating expenses. The second group includes selling, administrative and other operating expenses.

Such accounting provides comprehensive information necessary to manage the company's expenses, evaluate its activities by determining financial results, determine the optimal cost structure and implement methods to reduce them.

There are three general methods of cost accounting that ensure the achievement of a specific goal and the solution of a specific task: regulatory, operational control and actual cost. Modern methods of cost optimization should be flexible, easy to use, and provide the information necessary for making management decisions in a timely manner.

From our point of view, the main areas of cost optimization at the enterprise are

- establishing a cost management system at the enterprise by reducing the management staff,
- increasing the efficiency of its activities and organizing detailed cost accounting; optimization of labor costs;
- continuous professional development of the company's employees;
- optimization of the number of employees of the enterprise;
- building an effective system of motivation of the company's personnel;
- improving the work of the supply and sales logistics departments;
- application of the latest technologies;
- studying the causes of defects at the enterprise for timely detection, elimination and prevention in order to reduce the cost of production by reducing costs [3].
- Only a set of these cost-cutting measures, rather than individual actions, will ensure that the company achieves maximum effect;
- The following sequence of steps is recommended for effective cost optimisation at an enterprise;
- The cost optimisation sequence allows you to determine which costs need to be optimised. If some of the company's expenses are unproductive, it is necessary to reduce them or find opportunities to change the conditions of a particular process or operation;
- The main sources of reducing the cost of production and sales of a company's products include;
- Reducing the consumption of raw materials, fuel and energy per unit

of output;

- Reduction of depreciation charges per unit of production;
- Reduction of labour costs per unit of production;
- Reduction of administrative expenses and overheads in the export and import of goods;
- Elimination of unproductive costs and losses.

Resource savings are significantly influenced by a number of technical and economic factors. The following groups of intra-production factors have the greatest impact: improving the technical level of production; improving the organisation of production and labour; and changing production volumes. All of them lead to a reduction in the cost of raw materials, supplies, and wages [7].

Given the above features, it is advisable to allocate measures to optimise enterprise costs in modern conditions.

In modern conditions, the most commonly used measures to optimise enterprise costs include: introduction of resource-saving technologies, elimination of unproductive costs, diversification of production, reduction of management costs, and improvement of the technical level of production. The use of these measures in combination provides the maximum effect to the enterprise in achieving its goals.

The optimisation of enterprise costs is carried out using a variety of methods. These methods are characterised by the following features: flexibility; simplicity; provision of accurate information for making management decisions.

Modern methods of cost optimisation include target costing, kaiser costing, balance method, operational and application campaign, functional cost analysis, LCC costing, EVA costing, XYZ analysis, Just-in-time, ABC analysis, outsourcing, and budgeting.

Functional and cost analysis is one of the most effective types of activity analysis for identifying reserves for saving material, labour and financial resources for production. It is a heuristic method of identifying opportunities to reduce the cost and improve the quality of an object analysed as a functionally oriented system at all stages of its life cycle [8]. This method is carried out in order to find cheaper raw materials and resources for the production of products, to improve the technical support of the enterprise.

The main objectives of the functional cost analysis include: reducing material and labour intensity of the manufacturing process, adapting

products to a new market, and introducing resource-saving technologies. Functional cost analysis is used in most cases when introducing new types of products, works or services and expanding their range.

The goal of every company is to make a profit. At the same time, each company tries to reduce costs but maintain the proper quality of goods or services to remain competitive in the market.

A clear classification of expenses is an important prerequisite for the proper organisation of accounting and management. Depending on the objective, classification can be made on various grounds. Certain costs may be important for one type of management decisions and not taken into account for others [4, p. 8]. The classification of costs by the main features is shown in Table. 1.1.

Table 1.1. Classification of costs

Feature	Characteristics of costs
1. By definition of financial result	Exhausted and unexhausted
2. By definition, the ratio to the cost of production	For products for the corresponding period
3. By methods of transferring cost to products	Direct and indirect
4. In relation to the production process	Core and general production
5. By the degree to which the volume of activity affects the level of costs	Variables and constants
6. In terms of decision-making	Relevant and irrelevant
7. In relation to the options for action	Valid and alternative
8. Controlling the implementation	Controlled and uncontrolled
9. By calendar periods	One-off, recurring, long-term
10. By management function	Production, commercial, administrative

Classification is also possible by other criteria. But all the costs incurred by the company directly affect the final result. Therefore, the more efficient the cost management system at an enterprise, the more successful it is.

A well-established cost management system helps to save available resources and get the most out of them.

Cost management means:

- 1) to organise cost accounting in accordance with the divisions;
- 2) analyse the cost structure and its impact on the company's performance;
- 3) make informed management decisions;

- 4) plan the level of expenses;
- 5) plan profit taking into account the amount of expenses incurred and changes in the market environment;
- 6) create an effective system of motivation of employees to control and reduce costs;
- 7) control the level of costs and take measures to reduce them [5, p. 67].

Based on the specifics of each enterprise and its activities, managers can apply the following cost optimisation techniques.

Firstly, it is the establishment of the cost management system itself: reduction of the management apparatus and organisation of detailed cost accounting. In the cost management mechanism, economic principles are implemented through the organisational system. Organisation is the most important element of effective cost management. It establishes how the company manages its costs, i.e. who does it, when, using what information and documents, and in what ways. It identifies the places where costs are incurred, the cost norms and the centres of responsibility for their compliance. A hierarchical system of linear and functional relationships of managers and specialists involved in cost management is developed, which should be compatible with the organisational and production structure of the enterprise [7, p. 182]. The organisation and detailing of costs will allow specialists to clearly identify where costs can be reduced and where excessive cost overruns occur.

If costs are viewed as a tool for increasing profits, then each of their parts must be analysed for optimisation. One of the most important parts of costs is labour costs.

So, the second area is the optimisation of labour costs. Salaries are one of the cost elements, have their own structure and form the payroll of full-time employees.

Reserves for reducing labour costs include increasing labour productivity by automating trading processes, improving the organisation of trade and labour, as well as improving the use of working time by eliminating possible losses, increasing the level of discipline and responsibility of employees [8, p. 177].

Increasing labour productivity can be achieved by using the following suggestions:

- mechanisation and automation of production, application of efficient machinery and new effective developments, change or modernisation of old equipment;
- introduction of economic management methods, improvement of pricing, financial and credit mechanisms, etc;
- optimisation of the number of employees in certain professions, improvement of employees' qualifications, building an effective system of financial incentives.

To increase labour productivity, it is important to organise it, including preparing the workplace, ensuring the proper material and technical base, and rationalising working hours.

Optimisation also entails staff motivation. For example, if salaries are paid not at a fixed rate but partially as a percentage of sales or bonuses for achieving certain results, this will motivate employees, help increase the company's profitability and reduce labour costs in case of failure to meet a certain implementation plan or set goals.

However, optimisation through motivation can have negative side effects when management encourages employees to act against the interests of the enterprise. In this case, the management system leads to a lack of goal alignment. Conversely, when management motivates the behaviour desired by the organisation, experts describe this state as a situation in which the organisation's goals and the goals of employees coincide.

Results-based management can cause misalignment of objectives, especially if the results required by the organisation can only be partially defined. Employees will then focus their efforts only on those areas of work that are monitored by the management system, regardless of how desirable this is for the organisation's goals as a whole. In other words, they will try to improve their own performance first and foremost, regardless of how well their actions contribute to the overall organisational goals. In addition, employees may ignore some important areas if these areas are not monitored by the management system [9, p. 562].

Another significant part of costs is material expenses, which are included in the cost of production. The process of purchasing raw materials should also be streamlined and organised. The next area of cost optimisation is for the company's management to review the procurement process. It is necessary to hold a tender among suppliers and choose the most favourable terms for the purchase of raw materials. An end-to-end analysis of logistics channels should be carried out to identify the current state of inventories and

identify ways to reduce them. In many cases, this can be achieved by reducing the number of warehouses or partially combining them [4, p. 172].

It is also necessary to improve the work of the logistics department (reducing the chain of distribution and transportation distances). If the supply chain is organised in a rational way, the amount of warehouse stocks, including the amount of finished but unsold products, will decrease. The vacated warehouse space can be leased out, thus freeing up some of the company's cash resources.

The revision of the material and technical base of the enterprise can also be seen as a way to optimise costs: the introduction of new, advanced and innovative machinery and equipment, the use of new types of raw materials, automation and mechanisation of production equipment.

But this area is quite ambiguous and far-sighted. The cost management department should analyse the economic benefits of purchasing new equipment or upgrading old equipment. This analytical information with calculations for the purchase or modernisation of equipment will help managers make the right decisions about incurring such costs.

The next area is to study and eliminate the causes of defects. Keeping analytical records of rejects and their classification will facilitate their timely detection, elimination and prevention. This will lead to a reduction in production costs by reducing losses from defects and other unproductive costs, which will make it possible to reduce and use production waste more efficiently.

Another cost-cutting measure is the introduction of the value chain concept at the enterprise. Establish close ties with suppliers and customers. A value chain is a coordinated set of activities that create value for an enterprise, starting from the initial sources of raw materials for the enterprise's suppliers to the finished products delivered to the end customer, including customer service. It focuses not only on the processes taking place within the enterprise, but also on a much broader scale, going beyond the scope of a particular enterprise. A company can gain a significant advantage by intervening in the work of suppliers and gaining certain cost advantages. On the other hand, an enterprise can improve its competitive advantage by focusing on customer service.

By analysing value chains, an enterprise can increase its competitiveness by identifying hidden reserves and further optimising certain types of its activities.

The efficiency of the company's operation depends on the rational use

of all available resources of the business entity without exception.

It should be noted that the calculation of the cost of production is possible only if the accounting is organised in such a way that the factors of cost changes, cost overruns and savings are disclosed not only by analysing the reporting calculations, but also in the course of economic activity on the basis of primary documentation and current accounts [10, p. 104].

First and foremost, companies optimise operating and material costs, since in most cases these items dominate the structure of the company's total expenses. In order to optimise operating expenses, it is necessary, first of all, to reduce the volume of those items that have the largest share in the overall structure of operating expenses, in particular, it is advisable to minimise, first of all, the cost of sales and sales costs (while maintaining product quality and customer service). In addition, it is recommended to optimise the operating expenses of the enterprise [7, p. 180]:

- search for reliable suppliers of production resources;
- update the company's product range;
- optimise labour and sales organisation;
- stimulate labour productivity growth;
- expand the amount of additional income through free assets (renting space that is not currently used by the business entity, which will bring additional income and thus reduce the cost of maintaining these premises or equipment);
- to carry out permanent control of expenses;
- to take measures to improve the efficiency of internal cost management based on timely and qualitative analysis.

We will conduct a theoretical analysis of possible measures to optimise the costs of an enterprise in the current environment, and the results of the study are shown.

In economic theory, optimisation of enterprise costs is aimed at solving the following tasks:

- assessing the validity of the absolute value of costs and its compliance with the planned values;
- monitoring the factors of formation of the volume and structure of costs;
- identification of reserves for cost reduction, as well as justification of mechanisms for mobilising such reserves [11, p. 86].

Thus, optimisation of costs of a business entity is one of the set of technologies of targeted profit planning, which, in turn, determines the

parameters of the enterprise profit management model for the short and long term.

Scientists [12; 13] note that when choosing a particular cost management method, it is necessary to determine, first of all (or primarily), the feasibility of using such a method using the following criteria, which are given in Table 1.2.

Table 1.2. Criteria for choosing a cost management method [12; 13]

Method name	Criteria				
	Objective	Life cycle stage	Organisational structure	Type of enterprise	Market positioning
Direct cost / Standart cost	Keeping costs at a given level	Growth	Functional	Average	Follower
Target cost	Reducing costs	Growth	Linear and functional	Average	Claims to be a leader
CVP-analysis	Reducing costs	Growth	Linear and functional	Average	Follower
Cost-killing	Short-term cost reduction	Recession	Linear and functional	Average	Follower
Benchmarking	Reducing costs	Implementation	Functional	Big	Claims to be a leader

Analysing a considerable number of methods and tools, which are given in Table 1.2, for practical application should be implemented by the management of the enterprise for assessment, analysis and forecasting of the financial and economic state of the enterprise, as well as monitoring of the external environment, the model of enterprise cost management should include implementation of the following sequential measures:

1) classification of costs taking into account the tasks to be performed in terms of fixed, variable, regulated, unregulated;

2) development of a system of rules and regulations taking into account the factors of resource allocation by cost items;

3) development of a clear system of accounting, analysis, cost control, as well as detection of deviations from actual and planned indicators;

4) identification of centres of responsibility and cost accounting at all levels, i.e. control over individual departments and the enterprise as a whole to ensure transparency of costs and adequacy of their incurrence in the context of the profits received;

5) development of an effective document management system that allows obtaining objective and timely information on all production,

economic, commercial and administrative units of the enterprise;

6) development of an effective system of motivation and incentives for employees to save resources and preserve production potential.

We will analyse the company's liquidity indicators (showing the company's ability to pay off its liabilities from its available assets), and the corresponding calculated liquidity ratios are presented in Table 1.3.

Table 1.3. Dynamics of liquidity indicators of Pishchalnyky LLC in the period 2019–2021, thousand UAH

Indicator	Calculation formula	2019	2020	2021
Absolute liquidity ratio	Cash / Current liabilities	0.004	0.79	0.38
Interim liquidity ratio	(Current assets – inventories) / Current liabilities	0.39	4.29	5.19
Total ratio liquidity (coverage)	Current assets / Current liabilities	1.65	15.35	7.45
Own working capital	Equity – Non-current assets	4,402	8,216	28,223

Analysing the data in Table 1.3, we note that the absolute liquidity ratio had a parabolic trend, i.e. in 2020, this indicator increased significantly to 0.79, and in 2021 it decreased again to 0.38. Theoretically, this ratio is considered satisfactory at a value of 0.2–0.3; in our case, in the last year of the study, this ratio is slightly higher than normal, but the likelihood that all creditors of the company will simultaneously present their claims for repayment is insignificant. Also, during the study, we observed a significant increase in the interim liquidity ratio from 0.39 in 2019 to 5.19 in the last year of the study.

Starting from 2020, the company under study has been achieving positive (profitable) performance indicators, which directly affected the main profitability indicators, which already have positive values and prove the effectiveness of the company's financial and economic activities.

During the study period, the capital employer had positive values and ranged from 365.04 in 2019 to 325.24 in 2021. Capital productivity expresses the efficiency of the use of labour means, i.e. shows how much finished goods are produced per unit of fixed production assets of Pishchalnyky, LLC.

To form a liquidity balance sheet of Pishchalnyky, LLC for the period of study, which shows the degree of coverage of the company's liabilities by assets whose maturity is sufficient to repay the company's liabilities, we will first identify:

A1 – highly liquid assets, P1 – most urgent liabilities;
A2 – quick assets, P2 – short-term liabilities;
A3 – slowly liquid assets, P3 – long-term liabilities;
A4 – hardly liquid assets, P4 – permanent liabilities.
Let’s present the relevant calculations in Table 1.4.

Table 1.4. Liquidity balance of Pishchalnyky LLC in 2019–2021

Designation	Title	Description	2019	2020	2021
A1	Most liquid assets	Cash	33	879	2,464
P1	Most urgent liabilities	Accounts payable	8,957	713	4,765
A1 – P1	Collateral for liabilities P1	+ good, – bad	–8,924	+166	–2,301
A2	Quickly realisable assets	Trade and other receivables	3,492	3,905	30,773
P2	Short-term liabilities	Short-term loans	29	400	1,630
A2 – P2	Collateralisation of P2 obligations	+ good, – bad	+3,463	+3,505	+29,143
A3	Slowly realisable assets	Inventory	12,083	13,087	15,178
P3	Long-term liabilities	Long-term borrowings	2,220	8,542	13,797
A3 – P3	Securing P3’s obligations	+ good, – bad	+9,86	+4,545	+1,381
A4	Assets that are difficult to sell	Property, plant and equipment	5,485	15,490	21,269
P4	Permanent liabilities	Equity capital	9,887	23,706	49,492
A4 – P4	Collateral for P4 obligations	+ good, – bad	–4,402	–8,216	–28,223

The analysis of indicators A2 (quickly liquid assets), A3 (slowly liquid assets) and A4 (hardly liquid assets) during the research period has a positive trend, so the indicators of securing liabilities P2, P3 and P4 are within the normal range, which indicates a fairly high liquidity of the enterprise under study. Therefore, in general, we can say that Pishchalnyky LLC has no problems with ensuring financial stability.

The last step in the analysis of the financial and economic activities of the enterprise under study is the use of the Financial Analyst software (“Financial Analyst” is a system of intellectual analysis of the financial condition of enterprises and organisations based on accounting data), which

provided the following qualitative assessments of the financial position of Pishchalnyky, LLC and the results of its activities for the period under study. According to the rating scale, where AAA (excellent position), BBB (positive results), CCC (unsatisfactory results) and D (critical results) are respectively (Table 1.5).

Table 1.5. Evaluation of the financial condition of Pishchalnyky LLC using the Financial Analyst software

Financial results for the period 01.01.20 – 01.01.22	Financial position as at 01.01.2022									
	AAA	AA	A	BBB	BB	B	CCC	CC	C	D
Excellent (AAA)	•									
Very good (AA)	•									
Good (A)	•									
Positive (BBB)	V	•	•	•	•	•	•	•	•	•
Normal (BB)	•									
Satisfactory (B)	•									
Unsatisfactory (CCC)	•									
Poor (CC)	•									
Very poor (C)	•									
Critical (D)	•									

The jump in sales expenses during the study period from UAH 1,548 thousand in 2019 to UAH 6,516 thousand in 2021 is due to the promotion of the company’s own website and the search for customers using digital tools, which entailed additional costs for the company and significantly affected sales expenses, as well as the company’s attempt to enter foreign markets and related to its certification in accordance with international standards.

Analysis of the information provided in the UAS in the line other operating expenses (2,180) reflects:

- cost of inventories sold, non-current assets held for sale and disposal groups;
- allocations to create a provision for doubtful debts and amounts written off in excess of the provision for uncollectible receivables;
- losses from operating foreign exchange differences;
- losses from impairment of inventories;

- recognised economic (financial) sanctions;
- provision for future operating expenses;
- other expenses arising in the course of the company's operating activities (except for expenses included in the cost of products, goods, works, services) [14].

Significant for Pishchalnyky LLC in 2019 were expenses from changes in the value of assets (investment of real estate, biological assets), which are measured at fair value and amounted to UAH 7,100 thousand (for which the line 2,181 was used in the financial statements of the company for 2019). According to our calculations, these expenses were the main reason for the company's loss-making activities in 2019, as other cost indicators and their dynamics were within the normal range and no significant jumps in their growth were observed during the study period.

The company's financial expenses related to interest and other borrowing costs increased by UAH 290 thousand during the study period, from UAH 236 thousand in 2019 to UAH 526 thousand in 2021, which is explained by the increase in the cost of lending (interest rate) to agricultural entities in recent years.

In our opinion, in order to solve the outlined problems, it is advisable, first of all, to monitor the structure of administrative expenses and to conduct a rational distribution of cost items and their classification, identify the most unproductive items, etc. In order to obtain accurate information on administrative expenses, which will enable effective management of the company's business activities and its structural elements, each of the structural units of Pishchalnyky LLC should act as a centre of responsibility for the formation and management of expenses. Accordingly, at the level of subdivisions, the responsibility for the occurrence of certain expenses is borne by managers with clear control of direct performers – employees.

Based on this approach, we propose the following mechanism for managing administrative costs based on the formation of responsibility centres and identification of cost sources. This mechanism involves identifying the sources of costs by the centre of responsibility of each structural element of the agricultural enterprise, forming the prerequisites, criteria and normative values by which such costs can be transferred to the items of the total cost and covered by the financial result of the activity of Pishchalnyky LLC.

If the amount of expenses does not meet the standard, the responsibility for covering these expenses lies with the specific managers or

responsible employees of the division. Otherwise, the costs can be transferred to the main cost of Pishchalnyky, LLC.

The author's mechanism for managing administrative expenses of Pishchalnyky CJSC is presented in.

In addition, the mechanism proposed above should be supplemented by the following measures to manage administrative expenses at Pishchalnyky:

1) to form a system of documentary control over the reflection of administrative expenses in accounting systems and identification of specific persons responsible for their entry into the database;

2) to distribute administrative expenses in proportion to the volume of production;

3) to regulate management processes within Pishchalnyky, appointing responsible persons and owners of individual business processes, including those related to administrative expenses management. This area requires additional investment to engage process analysts (this can be done remotely with the help of specialists, which does not require significant investment), i.e. outsourcing;

4) investing in the latest resource management systems of Pishchalnyky LLC (ERP systems), which allows integration with other accounting systems of the enterprise, and also creates opportunities to reduce the cost of paperwork, automate certain processes for more accurate and convenient consolidation and calculation of administrative expenses of the enterprise. Automation of processes is impossible without preliminary regulation of the processes mentioned in the second step.

Depending on the specifics of each individual enterprise, management can apply different cost optimisation techniques. First of all, the implementation of the simplest and most direct cost reduction measures: reduction of the number of management staff and organisation of detailed cost accounting.

Based on the analysed literature [15; 16; 17], it can be argued that if we define costs as a tool for increasing profits, it is necessary to analyse the structure of costs by their parts. One of the most important parts of expenses is labour costs. Reserves for reducing labour costs are increasing labour productivity through automation of management business processes, as mentioned in the previous subsection, improving the organisation of work on the ground, optimising the use of working time by eliminating possible losses, and increasing the level of employee responsibility [18, p. 177].

The growth of labour productivity in Pishchalnyky can be ensured by implementing the following proposals:

- strengthening the processes of mechanisation and automation of production, application of efficient machinery and innovative developments, modernisation of old equipment, agricultural machinery;
- optimisation of the number of employees in certain professions (especially for production workers);
- creating opportunities for outsourcing certain employees (combine harvesters during harvesting, IT specialists (setting up equipment), animal veterinarians, etc;)
- improving the skills of employees (through staff training, including online);
- building an effective system of material incentives (transparency of bonuses and other material rewards).

First of all, to increase labour productivity, it is important to organise it, including preparing the workplace, ensuring proper material and technical facilities, and rational organisation of working hours. Another important aspect is staff motivation [19]. In particular, payment of wages not at a fixed rate, but depending on the amount of the percentage of sales, as well as bonuses for achieving certain results, this approach will motivate employees to work for the growth of the company's profit, increase the profitability of the company's activities and, accordingly, reduce labour costs in case of failure to meet a certain sales plan, production volumes or tasks.

On the other hand, the implementation of cost optimisation through motivation may have negative side effects, in particular, there is a risk that employees will start acting against the interests of the enterprise. In this case, the management system loses the alignment of the goals of Pishchalnyky and its employees. Results-based management can cause a mismatch in goals, especially when the results required by the enterprise can be determined only partially. In this case, employees will focus their efforts only on the areas of work controlled by the management system, regardless of how desirable this is for the goals of the organisation as a whole. In other words, they will try to improve their own performance in the first place, regardless of how much their actions work to achieve the overall organisational goals [18, p. 562].

The next important area of cost optimisation is the analysis of the procurement process by the management of Pishchalnyky LLC. Inventory procurement at the enterprise is carried out in the absence of tenders and at

the discretion of the person responsible for procurement of resources, which carries risks of inefficient use of the enterprise's resources, as well as possible cost overruns. We recommend holding a tender among suppliers and selecting the most favourable suppliers in terms of costs, delivery terms and delivery time.

We believe that it is worth monitoring logistics channels to identify the current state of inventories and identify ways to reduce them. In many cases, this can be achieved by reducing the number of warehouses or merging them. We have made calculations and recommend that the company use such platforms as Prozorro, E-Tender, Newtend, etc. for procurement.

Research by scientists and practitioners [19; p. 61–62] suggests that the use of such tools for procurement will reduce not only transaction costs for organising the procurement process, but also reduce the cost of purchased inventory or works within at least 1–2% of their value.

For further calculations of the effectiveness of using the above services, we will take the average value of 1.5% and additionally emphasise that this is the minimum value of possible savings in inventory through tender procurement, as some practitioners emphasise possible savings of up to 5%.

Table 1.6 compares the amount of expenses for the reporting period and the calculated value, taking into account the savings from using the Prozorro system for procurement (the data for the calculation is based on the example of 2021 in terms of material costs of the enterprise).

Table 1.6. Comparison of costs and possible savings when purchasing goods and materials using Prozorro, UAH

Cost item	Volume of expenses	Amount of possible savings (1.5%)	Costs less savings
1. Mineral fertilisers	3,684,237.70	55,263.56	3,628,974.13
2. Sowing materials	4,787,634.10	71,814.51	4,715,819.59
3. Plant protection products	2,955,174.50	44,327.61	2,910,846.88
4. Fuel and lubricants	3,499,147.60	52,487.21	3,446,660.39
Total	14,926,193.90	223,892.90	14,702,301.00

The calculations in Table 1.6 suggest that the savings in enterprise resources due to participation in tender procurement using the Prozorro system, calculated on the example of 2021, can amount to UAH 223,892.9.

Combining these savings with the rational organisation of the supply process will reduce the amount of warehouse stock, including the amount of finished but unsold products. The freed-up warehouse space can be leased (or at least saved on security and heating), thus generating income or saving resources.

The revision of the company's technical base can also be seen as a way to optimise costs: the introduction of new, advanced and innovative machinery and equipment, the use of new types of raw materials, automation and mechanisation of production equipment. It is necessary to conduct a thorough analysis of the economic benefits of purchasing new equipment or upgrading old equipment, but given the current realities of martial law, the proposal looks rather futuristic, but with the end of the war and the improvement of the company's financial position, it is quite possible to implement it in the near future.

An equally important area of cost optimisation is keeping records of products of inadequate quality, which reduces the selling price and, accordingly, reduces the profitability of the agricultural business. Identification of low-quality products (or products that do not meet certain requirements) at the early stages of production will help to reduce costs by cutting unproductive expenses. This will reduce the amount of waste and reuse it in the production process.

Another common cost optimisation tool that can be used by Pishchalnyky is the implementation of the value chain concept. A value chain is a defined set of activities that create value for an enterprise, starting with the initial sources of raw materials for the enterprise's suppliers and ending with the finished products delivered to the end customer, including customer service. At the same time, the main emphasis is placed not only on the processes taking place within the enterprise, but also outside it [20, p. 34].

Pishchalnyky LLC can gain a significant advantage by interfering with the work of suppliers and obtaining benefits in the context of cost reduction. On the other hand, the company can improve its competitive advantage by paying attention to customer service. By analysing value chains, the company can increase its competitiveness by identifying hidden reserves and further optimising certain types of its activities (in particular, leasing activities and providing services to third parties).

Thus, having analysed the ways to improve the cost structure as a factor (tool) for increasing the efficiency of the researched enterprise, we

note

- in our opinion, Pishchalnyky Ltd. should think about reducing the number of management staff and organising detailed cost accounting, which directly affects the cost part;

- the growth of labour productivity at the enterprise can be ensured by implementing the proposals listed above in this subsection;

- based on the calculations made, the estimated savings in enterprise resources due to participation in tender procurement using the Prozorro system are calculated on the example of 2021 and may amount to UAH 223,892.9.

Ukrainian businesses are currently in a difficult situation. The economic crisis, the Covid-19 pandemic, Russia's full-scale invasion, and military aggression have all led to a loss of government influence over economic processes. There was a significant increase in energy, material and raw material prices, which led to a sharp increase in production costs, thereby affecting the operations of Ukrainian enterprises. According to statistics, between 2019 and 2021, the financial results of companies did not improve, and in 2022 they found themselves in a difficult situation. Most domestic enterprises have stopped their operations due to the war or have been destroyed, and those that are trying to work and establish production are currently suffering losses. Therefore, all of the above requires constant work on solving the tasks of optimising the level of costs and ensuring the sustainability of Ukrainian enterprises. By analysing the costs of an enterprise, it is possible to investigate the feasibility and rationality of their implementation and identify the factors that affect them, cost reduction reserves and their optimisation areas; provide an information base for planning and decision-making [21; 22].

Elements of the cost management process. Cost management is closely related to management and economics, combining the features of operational and financial management in order to optimise costs and maximise the successful activity of Ukrainian businessmen [23]. In the context of the economic crisis, achieving the desired effect with the least use of enterprise resources depends on the chosen methods of cost management, which means their reduction.

A well-built cost management system should regulate the rational and efficient use of resources, evaluate alternative options for products and equipment, and make management decisions in all aspects to ensure efficient production. In today's world, the business environment is

characterised by globalisation, integration and informatisation of all areas of activity, which requires managers to have an efficient and effective action plan for the strategic development of the enterprise.

Ukrainian businessmen are adopting the experience of their foreign counterparts, but face certain obstacles to achieving successful results. Improving the cost management system in Ukraine should provide the benefits of providing managers with the following information

- making managerial decisions on their economic consequences;
- controlling costs according to standards;
- developing an economic strategy;
- cost estimation;
- estimation of costs of structural units of the enterprise;
- making decisions on the feasibility of certain production.

In difficult conditions, in order to ensure the effective functioning of the company, it is necessary to focus on optimising its own costs by: increasing the technological level of production, changing product volumes, expanding the range, analysing defects in production, reducing the cost of products, improving the accounting system [24; 25]. Therefore, the company's costs should be analysed based on methodological guidelines to ensure the optimisation of production processes, looking for the shortest ways to determine the cost management strategy.

Today, the following problems exist in the field of management of production costs and financial performance of Ukrainian enterprises:

- to reorient the national theory and experience gained to solve new problems in the field of enterprise management;
- new systems for obtaining information on costs, applying new approaches to costing, analysis of financial indicators, as well as methods of control and management decision-making [26; 27].

Foreign methods of cost management for business that can be used to help control and maintain costs within the required limits. First of all, the aspects of cost management of modern Ukrainian enterprises depend on the chosen methods and their optimal combination. Despite numerous developments in aspects, methods and practical recommendations, international experience in cost management in Ukraine shows that 26 per cent of industrial enterprises are unprofitable.

Conducting any type of business is accompanied by problems and risks, but cost management is the main component that contributes to success. The formation of an effective cost management system allows

achieving optimal resource savings without changing product quality indicators and ensuring stable indicators of the company's profitability in the market [28; 29]. Ukrainian companies should take into account not only internal factors, but also external factors of the economic environment for successful operations, and focus on the strategic goals of the organisation.

Cost management is a key tool for any successful business, enabling it to take a leading position in the market and serving as one of the indicators of development. Ukrainian entrepreneurs are based on three aspects of running their business: functional, organisational and motivational. Currently, there are a large number of cost management methods in the world, and when choosing one of them, a company is guided by its goals, specifics and scale, as well as its organisational structure. When implementing cost management, Ukrainian companies should pay attention to internal factors and external features of the economic environment, strive to optimise costs and focus on the company's strategic goals. Successful cost management ensures successful business operations.

The activities of any enterprise involve certain costs, the meaning of which as a conomic category is as follows: use of production factors; basis for competition; basic cost of production; reimbursement of costs for the purchase of production resources; characterisation of the degree of efficiency of production processes. In a dynamic market, the costs of a developing enterprise may be subject to changes due to internal and external factors. It is impossible to foresee all changes in advance, but by implementing a cost management system, you can control costs, systematically influence their changes, and protect them from the impact of negative factors. The leader in today's market conquest environment is an enterprise that takes effective cost management as its main benchmark in order to improve product quality, increase competitiveness, ensure a stable financial position and generate high profits. A company should use a costing mechanism that will allow it to obtain complete information about the costs of manufacturing its products. Such information is a prerequisite for the success of the enterprise. A timely response to cost deviations from the standard values helps to prevent an increase in production costs.

Thus, business activity is always associated with incurring certain expenses, which in the future will be transformed into the final profit. Enterprise costs are a monetary measure of the tangible, intangible, financial and human resources consumed to support the activities of a particular enterprise. Optimisation of the company's expenses involves developing a

system of norms and standards for resource consumption and dividing them into cost items.

The cost management system includes a set of processes for targeted planning, forecasting, analysing, accounting and controlling the costs incurred by the company. Cost management should be systematic and comprehensive. Optimisation of the company's costs involves finding the most effective methods and tools to achieve maximum effect at minimum cost.

Optimisation of enterprise costs is one of the basic tools for improving the company's operations and is also a rather effective direction of its development. There are a number of criteria that determine the appropriateness of using certain cost management methods, including the goal, product life cycle stage, form of organisational structure, type and size of the enterprise, and its market positioning.

Conclusion. The successful functioning of an enterprise in today's business environment depends on cost management, in the course of which decisions are made aimed at improving the efficiency of its production and economic activities, competitiveness and profitability.

The peculiarities of costs as an object of management are as follows diversity, constant change under the influence of the external and internal environment, and different dynamics in different periods of time. All of this makes it difficult to accurately quantify the amount, dynamics, and level of costs, to determine the impact of costs on the economic performance of an enterprise and methods of optimising them. The effectiveness of cost planning and control also depends on the timely provision of relevant information to all levels of cost management.

To achieve the maximum possible profit and reduce operating costs, the Group has developed measures to optimise its costs based on marginal cost and profit analysis, which will help to increase the efficiency of production activities by reducing costs. All these measures will increase sales and reduce cost of production, which will allow the company to invest the freed-up funds in the development and expansion of its own production, which in turn will open up new opportunities for the introduction of new equipment and increase production efficiency and, as a result, increase the level of profitability of the enterprise as a whole.

The study has shown that in the course of their activities, enterprises face various problems based on the results of a poorly conducted analysis of operating costs. In particular, incorrectly interpreted data often leads to

bankruptcy in the event of incorrect management decisions.

As a result of the study, conclusions have been drawn and the expediency of using internal and external information sources for the purposes of analysing operating costs has been substantiated. It is proposed to expand the information sources in accordance with the existing capabilities, as well as taking into account the needs for which the analysis is carried out. In this case, objective and relevant data will be taken into account, and the analysis will provide more qualitative and adequate results. As for the methods of analysis, a critical assessment of current Ukrainian practice indicates insufficient attention to the use of modern innovative approaches and tools. The use of positive foreign experience would be useful in this context. At the same time, there is a need to formulate recommendations for improving the methods of analysing operating costs and identifying alternative ways to optimise them to avoid possible risks in the strategic perspective of enterprises, which is a relevant and promising area for further research.

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Chapter II

PRICING POLICY MANAGEMENT SYSTEM FOR THE ENTERPRISE AND ITS PRODUCTION RESOURCES

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Introduction. The efficiency of the economic activity of an enterprise, regardless of its form of ownership, organizational and legal form, industry specifics, scale of activity, largely depends on the efficiency of organizing accounting and debugging information flows in order to meet the needs of internal and external users. This requires constant improvement of financial and management accounting, including accounting for income, expenses of the enterprise, and performance results.

The main source of cash receipts for the enterprise is the proceeds from ordinary activities, depending on the industry of the enterprise, the volume of its activities, the introduction of scientific and technical developments, and therefore, increasing labor productivity, reducing costs, improving product quality.

In the conditions of the development of entrepreneurial activity, objective prerequisites for the real implementation of these factors are created. The most important task of each business entity is to obtain maximum profit at the slightest cost by observing a strict regime of savings in spending funds and using them most efficiently.

In the conditions of the functioning of a market economy, the sale of agricultural products plays an important role, since the sale, as a component of the general process of reproduction, is the final stage in the movement of the product from the sphere of production to the sphere of consumption. Without it, it is impossible to repeat the production process. It acts as a prerequisite for production and reproduction. With the continuity of the process of public reproduction, the fact of implementation means the entry of the product into the sphere of production, if it enters the production consumption, or into the sphere of circulation, if it is intended for the sale of the population.

The essence of the implementation at the enterprise means, first of all,

the alienation of the benefits belonging to it by selling it with the aim of reproducing costs in value form, making a profit from commodity to monetary. Implementation as a moment of reproduction at the level of the enterprise is the final stage in the cycle of production assets of the enterprise.

The imperfection of the system of distribution of expenses and income from the sale of products leads to significant losses, which not only reduces the financial results of the economy, but also worsens the supply of food to the population. The return of expenses in cash, that is, the receipt of income, is the final stage of the enterprise.

Literature review. The market conditions of functioning, characteristic of the Ukrainian economy today, necessitate a deep theoretical understanding of the essence of phenomena, facts and processes, as well as balanced practical actions, especially when the object of research and real influence is a specific market entity (expenses and income of its activities)).

Elucidation of the nature, conditions of occurrence, content, form, types, evaluation, mechanism of formation and reflection in accounting of expenses and incomes of enterprises' activities have been given considerable attention in their works by many domestic and foreign scientists-economists in different periods of time. These issues were paid attention in their studies by such scientists-economists as: S. Holov, N. Honcharenko, O. Kovaleva, M. Ohiychuk, V. Tredit, O. Serdyukova, P. Khomin, G. Yamborko and others.

Paying tribute to the developments of domestic scientists, it should be noted that in matters of accounting and analysis of expenses and incomes of an enterprise, there are many unresolved problems that need detailed research and development of proposals for practical activities.

Results. The development and efficiency of production in agricultural enterprises is significantly influenced by the sale of products and the financial results obtained at the same time.

The imperfection of the system of distribution and sale of agricultural products leads to significant losses, which not only reduces the financial results of the economy, but also worsens the supply of the population with food products, and the industry with raw materials. Reimbursement of expenses in monetary form is the final stage of the enterprise's activity.

According to R(S)A 16 "Expenses", costs are grouped according to their economic content by the following elements: material costs, labor costs, deductions for social activities, depreciation, other operating costs. This grouping shows a clear division of all costs into items of work, live

labor and wear and tear of means of labor, into the costs of live and reified labor, which corresponds to the economic essence of the elements of production.

According to S. Holov (2000) division of costs by elements does not provide an opportunity to fully satisfy the need for information about costs. Since the five elements of costs do not make it possible to separate costs related to production, management, and sales of products, more detailed information about the composition of such costs is provided by their grouping by articles [1].

In this connection, there is a need to group costs by costing items. Unlike the grouping by elements, which determines what and in what amount the enterprise spends on production needs, the costing breakdown of costs shows their direction: where and in connection with what they were made. The nomenclature of costing items is the basis of the organization of planning and accounting of production costs by their types and place of origin (Table 2.1).

One of the most important elements of financial reporting is the company's expenses, the exact determination of which is necessary for the process of forming reliable financial results of agricultural enterprises. To date, there is no single approach in revealing the essence of such a basic term as "costs". Insufficient clarity in the terms and concepts of expenses in the system of regulatory regulation of accounting causes their inaccurate interpretation and reflection in financial reporting and the presentation of inaccurate information to tax authorities, which can have negative consequences for the enterprise.

We will analyze the formation of the production cost in accounting before and after the entry into force of R(S)A 30 "Biological Assets". As you know, before the introduction of the standard, all production costs (production cost) were accumulated on the debit of account 23 "Production" (on analytical accounts, respectively, corresponding to separate accounting objects), and the full cost of sold products – on account 90 "Cost of sales ". Data from these accounts were the basis for reporting, analysis, control, and accountants had no obstacles in determining the cost price. After the introduction of R(S)A 30 for agricultural enterprises, account 23 "Production" has largely lost its informativeness [1].

Therefore, the application of the method of determining the financial results from the initial recognition of agricultural products and biological assets can lead to the complication of calculating the indicators of the cost

of production, drawing up financial statements, analysis, planning and budgeting in agricultural enterprises. In general, this will have a negative impact on the efficiency of the enterprise.

Table 2.1. Classification of production costs

	Classification sign	Types of expenses
<i>For planning and accounting</i>	In economic terms	1) labor costs 2) costs of labor items 3) costs of living labor
	According to the stages of the production process	1) supply and procurement 2) production 3) sales
	By role in the production process	1) production 2) non-productive
	In relation to the technological process	1) basic (technological) 2) invoices (organizational)
	According to the cost method	1) straight lines 2) indirect
	By cost elements	1) material costs 2) labor costs 3) deductions for social events 4) depreciation 5) other operating expenses
	By expense items	Their composition is established by the enterprise
	Structure	1) complex 2) simple (one-element)
	According to the planning period	1) short-term 2) long-term
	In relation to the finished product	1) for work in progress 2) on the finished product
<i>For control and analysis</i>	In relation to the volume of production	1) permanent 2) variables
	By periodicity occurrence	1) everyday 2) disposable
	As appropriate	1) productive 2) unproductive
	According to the possibility of control	1) controlled 2) uncontrolled
	According to the coverage of rationing	1) normalized 2) non-normalized
	In accordance with the norms	1) within the norms 2) deviation from norms
	In relation to the plan	1) planned 2) unplanned

Source: Created by the author based on data [1].

Another, no less important problem that arose as a result of the introduction of the method of determining financial results from the initial recognition of agricultural products is the incomparability of indicators of financial results obtained from the implementation of agricultural activities in dynamics, as well as with other types of economic activity. The calculation of the financial result according to this method is an exceptional phenomenon in the national accounting system, which makes it impossible to carry out a comprehensive analysis not only with other types of economic activity, but also in the dynamics for a certain period.

M. Ohychuk (2014) believes that the application of R(S)A 30 “Biological assets” requires certain changes in the Plan of accounts for accounting of assets, capital, liabilities and business operations. Within account 23, it is recommended to open sub-accounts: 231 “Biological transformations in crop production” and 232 “Biological transformations in animal husbandry”. The structure of the registers of the journal-order form of accounting, in which costs from biological transformations are systematized and accumulated, requires changes, namely: Production report 10.3 a s.-g., 10.3 b s.-g., Consolidated information to the same 10.3 s.-g. [2].

One of the urgent problems is that specialized forms of primary documents approved by the Ministry of Agriculture back in 1972 are used in agricultural enterprises most primary documents do not meet modern requirements both in terms of content and structure.

In addition to these innovations, it is necessary to supplement account 71 with subaccount 710 “Income from initial recognition and from changes in the value of assets accounted for at fair value.” Supplement account 94 with subaccount 940 “Costs from initial recognition and from changes in the value of assets accounted for at fair value” [2].

The problem of accounting for income, expenses and financial results is very relevant, and there are also many views of scientists regarding its solution. However, in most agricultural enterprises, the organization of income and expense accounting is based on the principles and standards of accounting. Financial results are determined by subtracting expenses from income. And this is the basis for determining the results of activities not only in crop and animal husbandry, but also in all branches of agricultural production.

The study of modern domestic educational and scientific publications, regulatory and legislative acts, in particular, the Law of Ukraine “On Accounting and Financial Reporting in Ukraine”, National Provisions

(standards) of accounting and Methodical recommendations on the formation of the cost of products (works, services) showed, that the concept of “expenditure” has gained considerable popularity.

In clause 3 of R(S)A 1 “General requirements for financial reporting”, expenses are defined as a decrease in economic benefits in the form of disposal of assets or an increase in liabilities, which lead to a decrease in equity (with the exception of a decrease in capital due to withdrawal or distribution by owners) [3].

Based on the above, it can be concluded that the influence of various concepts is present in the national accounting standards, and the definition of costs is of a generalized nature. The impossibility of determining costs only according to one concept is determined by their disadvantages:

- when costs are assessed by the value of goods and services used or consumed, this assessment does not determine costs.

- the understanding of expenses as the removal of assets from the enterprise in order to pay for production factors is unacceptable because it confuses the effect of expenses with actual expenses.

- expenses reduce equity and are often defined in this context. But to define one element from the position of another is at least not correct.

In the field of accounting, according to G. Yamborko (2017), when disclosing the essence of expenses, it is necessary to take into account the type of activity, as a result of which they arose. In general, accounting regulatory documents divide the enterprise’s economic activity into ordinary and extraordinary. Normal activity should be understood as any main activity of the enterprise, as well as operations that provide it or arise as a result of its implementation [4].

The main activity of the enterprise involves operations for the production or sale of products (goods, works, services), which is the main purpose of creating the enterprise and provides the main part of its income. At the same time, the management of the production and economic activities of the enterprise aims to provide the production process with the necessary material and labor resources. In addition to the main – ordinary activity includes financial and investment activities.

Financial activity is an activity that leads to changes in the size and composition of the company’s equity and debt capital. Investment activity involves the acquisition and sale of non-current assets, as well as those financial investments that are not part of cash equivalents.

The implementation of any of the above-listed types of activity provokes the occurrence of the following costs (Figure 2.1).

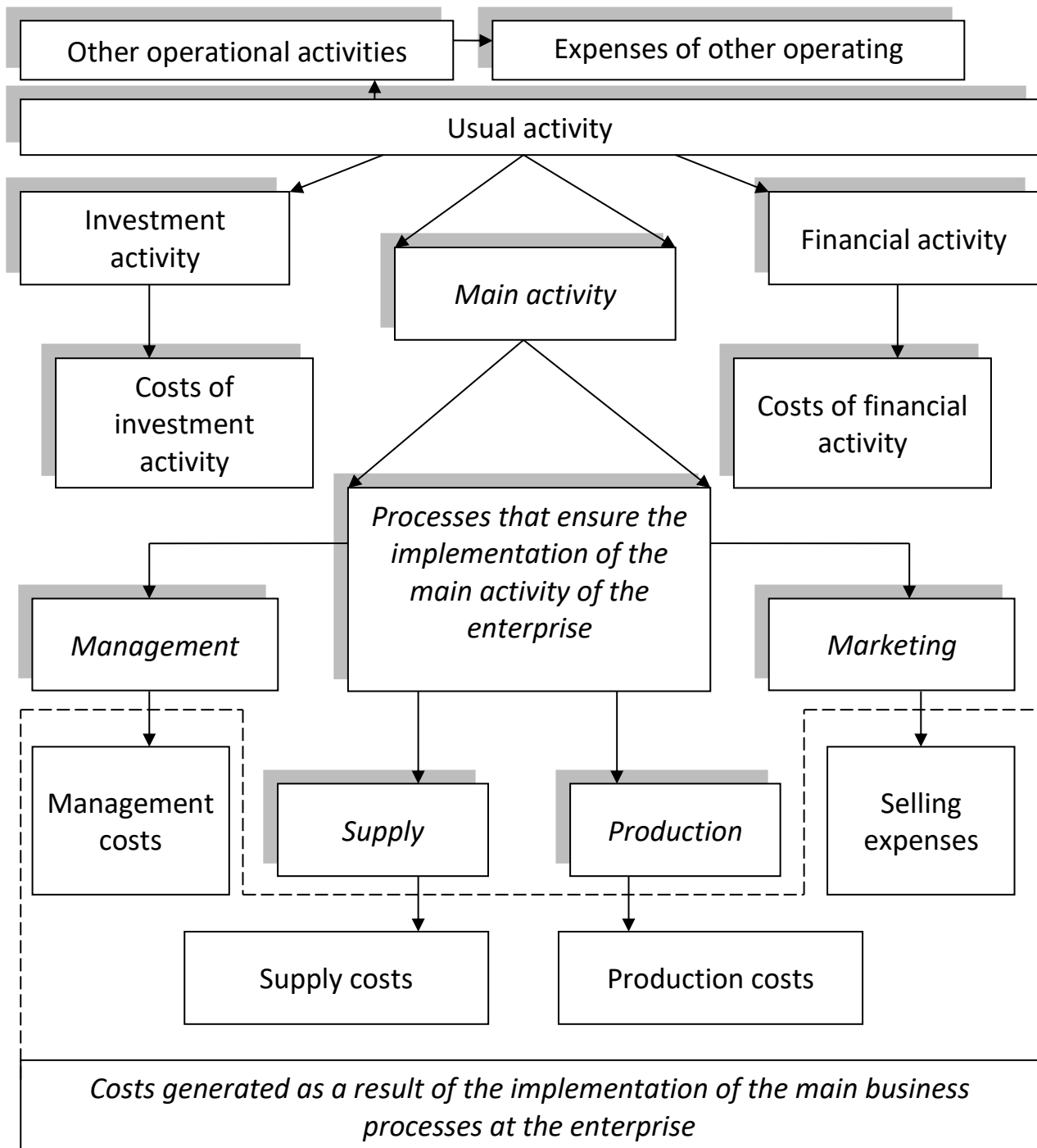


Figure 2.1. Connection of types of activities and expenses of the enterprise

Source: Created by the author based on data [4].

The procedure for the formation of costs shown in Figure 2.1, presented from the point of view of the main activity process.

From an economic point of view, the company's costs are formed in the process of extended reproduction, which occurs due to the use of the company's production facilities. Material and personal factors of production, which are at the disposal of the enterprise and serve as the material basis of its production activity, are considered means of production. Production facilities go through three stages, each of which performs a corresponding function. The first stage involves the transformation of the company's funds into factors of production. In other words, to ensure the main activity of the enterprise, management of its monetary resources is carried out, in particular, hiring of labor force, acquisition of fixed assets, material resources are carried out.

The second stage, which the company's production facilities go through, involves the production of finished products, and the third stage is its sale. The passage of the company's production facilities at each of the stages is accompanied by the occurrence of corresponding costs. Taking into account the above, it can be concluded that management costs are formed at the first stage of the circulation of production assets of the enterprise, and at the second and third stages, respectively, production costs and sales costs. As a whole, the costs of supply (procurement), production, management and sales are the costs of the main activity of an industrial enterprise.

Based on the above, P. Khomin (2016) suggests that in the field of accounting, the essence of costs should be defined as follows: costs are the costs (use) of factors of production, carried out in order to ensure the main, financial and investment activities, in value terms. The subject essence of production costs must be considered from the point of view of building accounting for external (financial aspect) and internal (management aspect) needs. In the conditions of a market economy and the independent activity of domestic enterprises, there is an objective need to determine ways and measures to maximize income from sales. Under these conditions, each enterprise must ensure the prospect of its future existence due to an effective system of effective management of the process of formation, distribution and use of income from sales.

It is known from the practical activity of the enterprises that the income from the sale is the main source of support for the owners of the enterprises, the expansion and modernization of production, and also acts as a source of financing of socio-economic programs [5].

Most types of agricultural products are sold immediately after marketing (vegetables, meat, milk, flowers) or after a short period of time

(grain, fodder crops). At the same time, the profit from the sale of agricultural products will be equal to its full cost price. Therefore, when applying the method of initial recognition of agricultural products at fair value, there is a redistribution of the company's profit structure. As a result of this, there is a financial result from other operational activities or initial recognition of agricultural products, while the financial result from sales is zero. This means that the gross profit (loss) reflected in the Statement of Financial Results will be insignificant or even zero [3].

It should be noted that income (expenses) from the initial recognition of agricultural products and biological assets reflect future economic benefits or losses that may be received as a result of the enterprise's production and economic activities. That is, this income is a conditional value and does not reflect the actual receipt of funds to the account. At the same time, the profit from the sale of agricultural products and the corresponding profit (loss) are important tools of enterprise management. They characterize the real result of the operational activity of the entire enterprise in the reporting period, the efficiency of the product sales system and management of farm expenses.

The application of the adopted imperfect method of determining income (expenditure) from the initial recognition of agricultural products has a negative effect on the organization and accounting of agricultural enterprises. This confirms the experience of last year. "Bottlenecks" of the methodology complicate the work of the company's accountants and increase the subjectivity of accounting information, especially with a low level of employee qualification and automation of the accounting process [5].

A significant number of scholars in the field of accounting of financial results of activity consider the economic content and accounting of financial results through their functional component, in particular, accumulation, stimulation and distribution. With a positive value of the financial result (profit), the function of accumulation arises, that is, financial results in this case become the main resource for increasing the company's own assets and contribute to the stimulation of expanded reproduction.

A stimulating function is observed when stimulating the management employees of the enterprise and increasing the amount of remuneration based on the results of production and economic activity. And the function of dispersing financial results of activity through the appropriation and distribution of profit between the company's own capital, its direct owners and the state is revealed.

As evidenced by the international practice of accounting, it is mainly divided into three main approaches to the interpretation of the content of the company's financial results, according to which:

1) the difference between the value of the enterprise's net assets for the reporting period is the total amount of cash. In this case, the net assets of the enterprise are equal to the difference between the total value of the enterprise's property and the total amount of its debts and additional contributions of the owners;

2) the financial result of the enterprise's activity is equal to the difference between the values of its income and expenses for the reporting period;

3) the financial result indicator is determined by comparing the value of equity capital at the beginning of the reporting period and at the end of the reporting period.

The second approach, according to which the financial result is interpreted as the difference between the company's income and expenses, taking into account adjustments for the amount of changes in inventory balances and work-in-progress for the reporting period, has gained the greatest application in the international practice of accounting for the financial results of the activities of enterprises. This aspect is also characteristic of the Ukrainian accounting system.

According to V. Tredit, & O. Kovaleva (2016), the financial result is a defining economic category and the main indicator of the enterprise's activity. The objective and correct definition of financial results, especially in the field of agriculture, has always been the subject of scientific discussions among both academics and practitioners.

As the authors note, the category "financial results" is characterized by the concept of profit and loss, while most researchers determine that the essence of financial results is focused primarily on profit. Loss acts as the opposite of profit and is largely left unattended [6].

No less important, in their opinion, is the analysis of the causes of the loss and the identification of possible errors and inaccuracies in the method of accounting for income and expenses and final financial results. Moreover, often companies even deliberately hide the real amount of profit, underestimating it or turning it into losses for various purposes (tax evasion, fictitious bankruptcy, etc.).

That is why it is possible to state without exaggeration that during the entire period of development and improvement of the accounting process,

the main goal of accounting was recognized as the objective and reliable determination of financial results, the order of profit formation, and the identification and disclosure of the cause of unprofitability.

The first definitions of profit, as the authors note, coincided with the amount of gross income, which, according to the individualistic system of distribution, was divided into three categories: income from capital, income from land, and income from labor. It was believed that each of the types of income is a mandatory remuneration of the recipient for the services provided to him in the national economy. With the development of accounting itself, the interpretation of financial results from an accounting point of view also appeared. Defining the category “financial results” from the point of view of accounting, scientists tend to emphasize the method of its calculation and characterize it as a result of comparing the company’s income with its expenses [6].

It is no less important, in our opinion, to investigate another problem of the methodological block – the impact of the application of the method of determining financial results from the initial recognition of agricultural products on the formation of the cost of production.

In the conditions of a gradual increase in the import of agricultural products, the issue of optimizing costs and increasing the competitiveness of the products of agricultural enterprises is becoming particularly relevant. In these conditions, the role of accounting is growing as the main source of information, which should provide timely, complete and true information about costs and cost of production in order to make informed management decisions. Currently, information on the cost of agricultural products is provided in form No. 2 “Report on financial results (Report on total income)”, form No. 50 of the “Main economic indicators of the work of agricultural enterprises”, as well as in numerous statistical reports.

O. Serdyukova (2018) notes that at the current stage of management, agricultural enterprises are characterized by unstable trends, the cause of which is mainly the difficult economic situation in the country, the consequences of the global economic crisis, constant changes in the legislative framework, limited bank lending to business entities, a low level of competitiveness and innovative development [7].

The analysis of the financial results of the activity summarizes a set of actions aimed at studying the results of the enterprise’s activity over a certain period of time, with the aim of determining the effectiveness of the use of all resources, identifying possible shortcomings in the management

of this enterprise and providing the necessary information for operational management to increase the efficiency of the enterprise's activities.

In the current economic conditions, which require agricultural producers to ensure their own financial stability, in a not very stable situation in the country's economy, any enterprise seeks to maximize its own financial results, which necessitates their qualitative analysis in order to identify reserves for the growth of their volumes in future.

The financial activity of the enterprise should be aimed at ensuring the systematic receipt and effective use of financial resources, compliance with settlement and credit discipline, achieving a rational ratio of own and borrowed funds, financial stability for the effective functioning of the enterprise.

That is why the analysis of the financial and economic activity of agricultural enterprises is a necessary condition for effective management of their incomes and expenses in order to increase profits and increase profitability. The future activity of the enterprise depends on the quality of the analysis of financial results and the determination of the main factors that ensure it.

The amount of financial results directly reflects all aspects of the activity of Private agricultural enterprise named after Shevchenko (PAE named after Shevchenko), both the technology and organization of production, as well as the system of internal and external management, peculiarities of activity. Thus, the main financial result of the company's activity is profit – one of the main economic indicators of the company's work. With its help, the level of profitability, that is, profitability, as well as the efficiency of the enterprise's functioning, is determined. Profit is formed as the difference between the income from the sale of products and the costs of production and its sale. If own costs exceed cash receipts from sales, sales losses occur.

Analysis of financial results in PAE named after Shevchenko is conducted according to the following data: form No. 2 "Report on financial results (Report on total income)"; form No. 1 "Balance (Report on financial status)"; data from accounting registers; working materials of the financial department; legal adviser of the enterprise.

Profit analysis is carried out according to the data of the financial report (form No. 2). At the same time, an assessment of the implementation of the profit (loss) plan as a whole and by its individual types is given, the

dynamics of the corresponding amounts and changes compared to the previous period are studied.

Methodical principles of formation in accounting of information about financial results and its disclosure in financial reporting are determined by R(S)A “Report on financial results” [8].

We will analyze the dynamics of income and expenses of PAE named after Shevchenko for the period 2017–2021 (Table 2.2).

Table 2.2. The dynamics of the structure of income and expenses for PAE named after Shevchenko, thousand UAH

Indicators	2017	2018	2019	2020	2021	Deviation 2021 from 2017 (+, -)
Enterprise income						
1. Net income (revenue) from the sale of products (goods, works, services)	2374	2122	2671	2941	2573	+199
2. Other operating income	236	362	216	293	452	+216
3. Other financial income	6	77	174	223	-	-6
<i>Income amount</i>	<i>2616</i>	<i>2561</i>	<i>3061</i>	<i>3457</i>	<i>3025</i>	<i>+409</i>
Enterprise expenses						
1. Cost of products sold (goods, works, services)	1698	1804	1808	2515	2117	+419
2. Administrative expenses	106	161	141	137	122	+16
4. Other operating expenses	132	105	42	27	45	-87
5. Financial expenses	10	26	47	50	24	+14
6. Extraordinary expenses	256	222	69	608	322	+66
<i>Amount of expenses</i>	<i>2202</i>	<i>2318</i>	<i>2107</i>	<i>3337</i>	<i>2630</i>	<i>+428</i>
<i>Financial result from activity: net profit (loss)</i>	<i>414</i>	<i>243</i>	<i>954</i>	<i>120</i>	<i>395</i>	<i>-19</i>

Source: Compiled by the author based on the company’s financial statements.

As can be seen from the Table 2.2 the net income of the enterprise increased in 2021 (2573 thousand UAH) compared to 2017 (2374 thousand UAH) by 199 thousand UAH. The company’s expenses also increased by UAH 428,000 in 2021 compared to 2019, in particular, the following increased: cost of goods sold, extraordinary expenses by UAH 419 and 66 thousand in accordance.

As a result of such changes in the activities of the PAE named after Shevchenko made a profit in 2021 in the amount of UAH 395 thousand UAH, although in 2019 the profit reached 954 thousand UAH. The dynamics of changes in income and expenses PAE named after Shevchenko is shown in Figure 2.2.

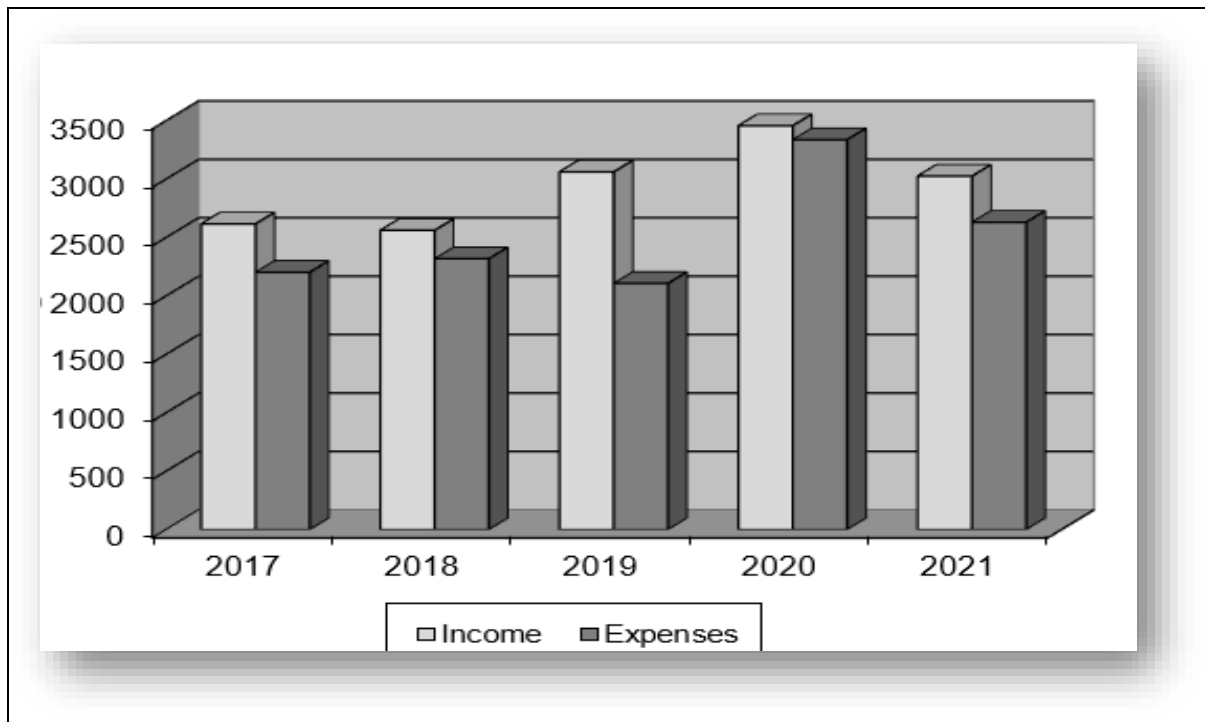


Figure 2.2. Dynamics of the structure of income and expenses of PAE named after Shevchenko for the period 2017–2021, thousand UAH

Source: Created by the author based on the data in Table 2.2.

Let's analyze the production costs of PAE named after Shevchenko for the period 2017–2021, thousand UAH (Table 2.3).

As can be seen from the data in Table 2.3, the production of products at the analyzed enterprise is material-intensive: the specific weight of material costs is 38.4% in 2021. Labor costs in 2021 are 5.4%. Along with the increase in production costs, there is no increase in profit, which is a negative result of management.

The increase in the share of labor costs in 2021 compared to 2017 is caused by a decrease in the number of employees and an increase in wage rates. The total amount of production costs increased in 2021 by 695 thousand UAH compared to 2017, mainly due to an increase in material and depreciation deductions by 267 and 191 thousand UAH, respectively.

Thus, the main tasks of the analysis of income from the sale of the company's products are:

Table 2.3. Analysis expenses of production for PAE named after Shevchenko, thousand UAH

Elements expenses	2017	2018	2019	2020	2021	Deviation 2021 from 2017 (+/-)
1. Material expenses	1576	1567	1695	2067	1843	+267
2. Salary expenses	572	538	629	595	610	+38
3. Payroll deductions for social activities	12	60	69	97	140	+128
4. Depreciation deductions	36	67	153	195	227	+191
5. Other operating expenses	279	256	265	268	350	+71
Amount of expenses	2475	2488	2811	3222	3170	+695

Source: Compiled by the author based on the company's financial statements.

- verification of the degree of fulfillment of the income task both in general and in the section of individual types of them;
- analyze changes in income indicators in dynamics;
- identifying the influence of objective and subjective factors on the amount and level of income;
- summarizing the results of the analysis, identifying ways and reserves of increasing business profitability.

Commodity production of the farm is a part of gross production intended for sale on the side.

Its composition includes products sold to the state, various enterprises and organizations, in retail stores, to individuals, as well as sold to pay employees, used for public catering.

Commodity agricultural products are evaluated in current (actual income) and comparative prices. Commodity products at current prices characterize the amount of revenue from sales for a certain period. When calculating commodity products in comparative prices, those of them are used, according to which gross products were determined. Commodity products in such an assessment characterize the dynamics of its physical volume for a certain period.

The following indicators of marketable agricultural products are calculated:

- 1) the total volume of marketable products (total commercial products of agriculture);

2) domestic agricultural circulation;

3) outside of rural marketable products (commodity products of agriculture as an industry)

Total marketable output is characterized by the sum of all output sold by households and private households by the population, including rural circulation. This indicator of marketable products allows you to determine the amount of income of agricultural enterprises and personal households from the sale of products.

Internally, the agricultural circulation of marketable products includes the direct sale and exchange of the products of some agricultural enterprises and private households of the population with others.

Outside of agricultural marketable products, it is characterized by the volume of marketable products of the industry. It is determined by the exclusion from the total marketable output of agriculture within agricultural circulation. It is a source of food supply for the urban population and raw materials for industry. The indicator of the volume of non-agricultural marketable products is used to determine the marketable products of agriculture as a whole and its individual branches.

The percentage ratio of the marketable part of the product to its gross quantity is the marketability of the product. When calculating the level of marketability, gross marketable products do not include nonmarketable and low-marketable products (hay, straw, corn stalks, grass for green fodder, silage, manure, etc.). In addition, the cost of growth is excluded from gross production or the cost of reduction of unfinished production in crop production is added, as well as the cost of perennial plantations is excluded.

The level of marketability is one of the important indicators of the efficiency of agricultural production. It depends on the volume of gross production, the rational use of domestically produced products for domestic consumption, the level of intensification, concentration and specialization of production. The level of marketability of crop production is, as a rule, always lower than the level of marketability of livestock. This is explained by the fact that a significant part of the gross production of crop production, in particular seeds, fodder, is used for the production needs of the farm. The exception is technical, vegetable and fruit crops, the products of which are sold almost entirely.

Let's consider the level of marketability of crop production in PAE named after Shevchenko in Table 2.4.

Table 2.4. Volumes of sales and dynamics of marketability of the main types of products in PAE named after Shevchenko

Types of products	Produced, centners			Sold, centners			Level of marketability, %		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Cereal crops	34271	19995	36565	30502	14932	27586	89.00	74.68	75.44
Sunflower	2507	1836	2917	1230	2621	4	49.06	142.76	0.14
Soy	4527	899	1176	2848	1015	1176	62.91	112.90	100.00
Cattle	400	101	78	295	1294	147	73.75	1281.19	188.46
Pigs	48	88	56	17	64	43	35.42	72.73	76.79
Milk	6715	3846	2902	5328	3132	2534	79.34	81.44	87.32

Source: Compiled by the author based on the company's financial statements.

From the data in Table 2.4, it can be seen that the marketability of plant products is quite high. Thus, the sale of cereals and soybeans is almost 100%, in contrast to sunflower, which in 2021 sold only 0.14%. The highest growth in marketability in recent years has been observed in the sale of cattle, its indicator increased by 114.71%. In 2021, the marketability of pig live weight and milk increased significantly and the deviation amounted to 41.37 and 7.97%, respectively.

The volume of the cost of revenue from sales at the enterprise is shown in Table 2.5. Profit, that is, the difference between cash receipts from the sale of products and the full cost price, most fully characterizes the change in both quantitative and qualitative factors.

Table 2.5 shows that there are constant changes in the amount of profit from year to year. The sale of barley and wheat turned out to be the most profitable in crop production in recent years, and in 2021 the profit amounted to UAH 303.1 and 232.5 thousand, respectively. But losses related to the sale of soybeans in the amount of 148.9 thousand UAH are observed in the field of crop production. This happened due to a sharp increase in the cost of production, because in recent years labor costs, prices for fuel and utility services have increased significantly, in addition, part of the crops have frozen. We observe the same trend in animal husbandry, cattle remained profitable – UAH 39.8 thousand, and pig breeding is unprofitable during 2017–2021.

Table 2.5. Volumes of the cost price and income from sales in PAE named after Shevchenko, a thousand UAH

Types of products	2019			2020			2021		
	Cost	Income (revenue)	Profit (loss)	Cost	Income (revenue)	Profit (loss)	Cost	Income (revenue)	Profit (loss)
Cereal crops	1073	1624	551	807	1208.9	401.9	1248	1787.5	539.5
Including:									
Wheat	548	591	43	721	1050	329	852.9	1085.4	232.5
Buckwhe	8	8	-	-	-	-	-	-	-
Corn	42	96	54	37	66.6	29.6	0.5	1.1	0.6
Barley	418	800	382	45	86.4	41.4	393.2	696.3	303.1
Rye	-	-	-	3	3.6	0.6	-	-	-
Oat	57	129	72	1	2.3	1.3	2	4.7	2.7
Sunflower	98	170	72	351	477.3	126.3	0.3	1.3	1
Soy	140	265	125	89	125.2	36.2	242	93.1	-148.9
Other products of crop production	3	9	6	50	25	-25	4.6	6.1	1.5
Live weight of cattle	164	144	-20	863	635.2	-227.8	86.6	126.4	39.8
Live weight of pigs	28	24	-4	75	29.07	-45.93	94.8	29.1	-65.7
Milk	428	367	-61	384	335.8	-48.2	378.3	356.5	-21.8
Other livestock products	7	8	1	36	55.02	19.02	91.7	74.8	-16.9
Services in agriculture	35	33	-2	14	23.07	9.07	26	22.1	-3.9

Source: Compiled by the author based on the company's financial statements.

Let's consider the dynamics of the cost price and prices for the main types of products (Table 2.6) and determine the amount of the cost price of 1 centners of each type of product and what their price is obtained from sales.

From the given data in the Table 2.6, it can be seen that in crop production, the growth of the cost price and sales price went evenly for grown wheat, oats, and sunflower, for example, in 2021, the cost price for 1 centner of sunflower was 75 thousand UAH, and the sales price was 325 thousand UAH. Among livestock products, such a dynamic is observed in the sale of 2021, when the sale price of cattle exceeded the cost price. In general, the cultivation and sale of livestock products, especially pig

farming, does not bring any profits to the enterprise. Thus, during 2017–2021, the cost price of the live weight of pigs exceeded the sale price.

Table 2.6. Dynamics of the cost price and price of 1 centners of products in PAE named after Shevchenko, UAH

Types of products	2019		2020		2021	
	Cost	Price	Cost	Price	Cost	Price
Cereal crops, including wheat	50.08	54.01	53.78	78.32	46.53	59.21
Buckwhe	97.56	97.56	-	-	-	-
Corn	72.29	165.23	92.27	166.08	250.00	550.00
Barley	25.66	49.11	43.02	82.60	42.69	75.60
Rye	-	-	69.77	83.72	-	-
Oat	21.87	49.50	27.78	63.89	46.51	109.30
Sunflower	79.67	138.21	133.92	182.11	75.00	325.00
Soy	49.16	93.05	87.68	123.35	205.78	79.17
Live weight of cattle	555.93	488.14	666.92	490.88	589.12	859.86
Live weight of pigs	1647.06	1411.76	1171,88	454.22	2204.65	676.74
Milk	80.33	68.88	122.61	107.22	149.29	140.69

Source: Compiled by the author based on the company's financial statements.

Thus, the task of PAE named after Shevchenko to reduce the cost of production, the management to introduce new technologies that will facilitate the work of employees and reduce wages, etc.

As a result of studying the activity of PAE named after We suggest Shevchenko to take the following measures to improve his activities, in particular to increase the competitiveness of products, works, and services:

- expansion of the range of products sold by the company;
- flexible regulation of current wholesale and retail prices and discounts for products, works, services;
- updating and modernization of equipment.

Therefore, the value of the future financial results of agricultural enterprises is affected by economic, political, market, foreign economic and other factors, as well as the forces of nature (climate, weather conditions, etc.), which significantly increases the risk of losses for the enterprise. Financial results and possible reserves to cover them should be taken into account when organizing accounting.

An enterprise that is administratively independent, carries out economic activity, has the right of a legal entity, is obliged to keep financial records, prepare financial statements, as well as submit them to the bodies provided for by law.

The scope of management accounting is quite wide and includes the processes of acquisition, production, sale, calculations, storage and use of material resources and other activities of PAE named after Shevchenko.

Management accounting encompasses planning, measurement, accounting and control for appropriate decision-making, despite the fact that these are all different fields of knowledge.

Selling their products, in PAE named after Shevchenko enter into mutual relations with legal entities and individuals — buyers and customers, and therefore — carry out settlements with them in a certain order.

Calculations in PAE named after Shevchenko with buyers and customers is conducted on the basis of concluding bilateral contracts. A mandatory condition for concluding contracts is an accurate reflection of the obligations of both parties.

Responsibility for timely and high-quality preparation of necessary materials and registration of contractual relations, as well as accounting, registration, storage of contracts is assigned to the deputy chief accountant.

When the initial terms of the contract are changed, an additional agreement is signed.

The general scheme of sale of agricultural products in PAE named after Shevchenko looks like this:

1. Drafting of the contract.
2. Statement of the invoice for payment. The invoice is signed by the head of PSP named after Shevchenko.
3. The enterprise – the buyer submits to the servicing bank an order for the transfer of funds from his account to the account of PSP named after Shevchenko according to the issued account – invoice.
4. Obtaining a PSP named after Shevchenko's bank statement confirming the receipt of funds to his bank account.
5. Receipt of goods

But the company periodically has accounts payable. The occurrence of indebtedness is due to the fact that the simultaneous performance of counter-obligations by both parties under the contract is very rare. As a rule, one of the parties first fulfills its obligations, as a result of which it has the right to demand compensation for the debt, and the other party has the

obligation to pay this debt. That is, in accounting, the first party has an asset in the form of receivables as part of economic assets, and the other party has an obligation to the creditor to repay this debt, which is called accounts payable.

In PAE named after Shevchenko pays special attention to: correct organization of calculations, strict adherence to financial discipline, timely receipt of funds for sold products and services provided.

Untimely receipt of funds for the products sold and services provided leads to financial difficulties in the management of the economy.

Settlement operations are carried out in accordance with the legislation of Ukraine in accordance with the procedure established by the National Bank of Ukraine.

The legislation of Ukraine provides for the procedure for carrying out settlements between enterprises, enterprises and individuals both in non-cash form and in cash. The procedure for non-cash payments is set out in the instructions “On non-cash payments in Ukraine in national currency”, approved by the Resolution of the Board of the National Bank of Ukraine No. 22 of 01.12.2004.

In PAE named after Shevchenko, the forms of calculations provided for by the NBU Instruction No. 22 are specified when concluding contracts.

Non-cash settlements are carried out using established forms of settlement documents: payment orders; payment requests-orders; settlement check; payment claim; letter of credit

We consider it expedient for PAE named after Shevchenko to use an autonomous approach to building a system of interconnection between financial and management accounting, which involves maintaining financial and management subsystems of accounting in a parallel system of accounts. This will contribute to the increase in the analytical nature of accounting information, as it will provide an opportunity to determine the performance results of each structural unit in a timely manner, while simultaneously establishing management control over the centers of responsibility.

The multi-sectoral nature of agricultural production requires the provision of information on the receipt of income from individual branches of the economy. Therefore, the analytical accounting of sales in PAE named after Shevchenko is led by types of products, goods, works, services and sales directions.

The implementation process is characterized by the use of accounting accounts:

- account 36 “Settlements with buyers and customers” – for accounting of settlements with buyers of products, works and services (receivables);
- account 90 “Cost of sale” – for accounting of the cost of sold products;
- account 70 “Revenues from sales” – for recording revenues from sales;
- sub-accounts 641 “Tax settlements” and 643 “Tax liabilities” – for accounting of VAT tax liability, which reduces the amount of income;
- account 93 “Costs for sales” – for accounting for sales costs.

For accounting settlements with buyers or customers PAE named after Shevchenko uses balance account 36 “Settlements with buyers and customers.”

The debit of account 36 “Settlements with buyers and customers” reflects the sale value of products sold, goods, work performed, which includes value added tax payable to the budget and included in the sales price; on a loan – the amount of payments received on the company’s accounts in banking institutions and other types of payments. The balance of the account reflects the debt of buyers and customers for the products received.

Analytical accounting on account 36 “Settlements with buyers and customers” is kept for each buyer and customer for each invoice presented for payment.

The debit of account 90 “Cost of sales” reflects the production cost of sold finished products, works, services; the actual cost of goods sold (without trade margins), for a loan – write-off in the order of closing debit turnovers to account 79 “Financial results”.

Administrative expenses, distribution expenses and other operating expenses are not included in the production cost of finished and sold products, therefore, information on such expenses is summarized in the accounts for accounting for the expenses of the reporting period – 92 “Administrative expenses”, 93 “Sales expenses”, 94 “Other operating expenses”.

Account 90 “Cost of sales” has the following sub-accounts:

- 901 “Cost of finished products sold”;
- 902 “Cost of goods sold”;
- 903 “Cost of works and services sold”;
- 904 “Insurance payments” (this sub-account is not used in the PAE)

named after Shevchenko).

Sub-account 901 “Cost of finished products sold” records the production cost of finished products sold.

Sub-account 902 “Cost of goods sold” reflects the cost of goods sold, determined by the Regulation (standard) of accounting 9 “Stocks”.

Sub-account 903 “Cost of works and services sold” records the cost of works and services sold during the reporting period.

Account 70 “Income from sales” is intended to summarize information on income from the sale of finished products, goods, works and services, income from insurance activities, income from gambling, from lotteries, as well as the amount of discounts provided to customers and other deductions from income.

Account 70 “Income from sales” has the following sub-accounts:

- 701 “Income from the sale of finished products”;
- 702 “Income from the sale of goods”;
- 703 “Income from the sale of works and services”;
- 704 “Deduction on income”;
- 705 “Reinsurance” (this sub-account is not used in the PAE named after Shevchenko);

The credit of sub-accounts 701–703 reflects the increase (receipt) of income, the debit:

- due amount of indirect taxes (excise duty, value added tax and others stipulated by the legislation);
- the result of reinsurance operations (in correspondence with sub-account 705 “Reinsurance”);
- the result of changes in the reserves of unearned premiums (in insurance companies); and write-off in closing order to account 79 Financial results.

Sub-account 701 “Income from the sale of finished products” summarizes information on income from the sale of finished products.

On sub-account 702 “Income from the sale of goods”, trade enterprises and other organizations summarize information on income from the sale of goods.

On sub-account 703 “Income from the sale of works and services”, enterprises and organizations performing work and providing services summarize information on income from the sale of works and services, on the results of changes in reserves of unearned premiums.

On sub-account 704 “Deduction from income” in debit, the amounts of receipts under commission agreements, agency and other similar agreements in favor of commitents, principals are displayed; the amount of discounts granted to buyers after the date of sale, the cost of products and goods returned by the buyer and other amounts subject to calculation from income. On the credit of sub-account 704 “Deduction from income”, the write-off of debit turnovers to account 79 “Financial results” is reflected.

To summarize information on the cost of sold finished products, goods, work performed, services rendered, account 90 “Cost of sales” is used.

To eliminate the problem of accounting for the implementation process that currently exists in the PAE named after Shevchenko, the possibilities for their improvement are proposed, for which the role in the formation of income is determined at the time of reflection of income from sales in accounting.

There are certain uncertainties regarding the recognition of income. For example, for the sale of products in R(S)A 15, ambiguous conditions for recognizing income are given:

- transfer to the buyer of the risks and rewards of ownership of the product;
- the probability of receipt by the enterprise of economic benefits associated with the sales operation.

Under paragraph 16 of IAS 18 Income, if the entity transfers significant risks and rewards to the customer, income can be recognized. That is, there remains an insignificant risk of ownership and such an operation can be considered a sale, and income can be recognized. Paragraph 8 of IAS 15 “Income” does not talk about insignificant risk at all, it only states that income is recognized when “all” risks and rewards associated with the ownership of the products have been transferred to the buyer. Therefore, in the case of leaving insignificant risks to the seller, income may not be recognized.

Examples of situations in which PAE named after Shevchenko can keep the risks and rewards of ownership, there are cases where:

- the shipped products are subject to further development, which has not been completed at the time of shipment and is a significant part of the contract;

- the buyer has the right to cancel the purchase for reasons specified in the sales contract, and the company is not convinced of the likelihood of a return;
- the sale of goods takes place on credit.

It is not always possible for an enterprise to fulfill all the conditions specified in R(S)A 15 for recognition in the accounting of income from sales due to the peculiarities of the activity and uncertain circumstances. So, NSL them. Shevchenko, each time, depending on the characteristics of the transactions performed, must independently choose the method of reflecting income and determine when and to what extent to determine the income from the sale of products in the reporting period. These conditions must be determined in the accounting policy of the enterprise.

Therefore, the formation of an accounting policy at an enterprise is a responsible task and consists primarily in the application of the regulatory principles of accounting, the preparation and presentation of financial statements, and the choice of methods and procedures for processing accounting information.

Organizational construction of accounting and control over its maintenance in the PAE named after Shevchenko should be provided for by a new order on accounting policy, which should contain a section on accounting for income and financial performance, which indicates the main provisions for organizing such accounting: differentiation of income for each classification group; conditions for recognition and criteria for assessing income from the provision of services and performance of work as of the reporting date; a method of studying the degree of completion of works, services, income from the use and provision of which is determined by the degree of completion; list and composition of income from the sale of products (products); list and composition of other operating income; list and composition of income from financial, investment activities and extraordinary income; the procedure for attributing income and expenses to account 79 “Financial results”.

The current issue today is the methodology of accounting for income and expenses of agricultural activity according to R(S)A 30 “Biological Assets”. Pursuant to R(S)A 30 “Biological assets” it is provided to determine the financial result from the initial recognition of agricultural production and additional biological assets with subsequent clarification for each balance sheet date and sale date. That is, in agriculture, the financial result is to be determined not after the production is sold, but when it is

received from the production. We believe that such a definition of the financial result contradicts the principles of accounting and financial reporting, defined by the Law of Ukraine “On Accounting and Financial Reporting in Ukraine”, namely the principle of prudence, which provides for the application of valuation methods in accounting that should prevent underestimation of liabilities expenses and overestimation of assets and income of the enterprise

Having considered the method of forming the content of income items in the 1st section of the Statement of Financial Results, it is possible to conclude that it basically corresponds to international standards of accounting and financial reporting. This reporting form contains grouped sources of income. The type of income from extraordinary events, objective and independent of the quality of management, other organizational and economic, internal and external conditions of the enterprise’s activity, is also highlighted. The Report on financial results also provides information on the receipt of financial results (profits or losses) by types of enterprise activity: operational, financial and other ordinary activities.

In the process of research, we discovered shortcomings that somewhat complicate the information obtained, which is understandable to external users. For example, information about value added tax (VAT) and sales excise duty is unnecessary for investors or creditors. These data are controlled, analyzed, studied only by employees of tax services.

Users of financial statements are more interested in deciphering the article “Other deductions from income”, because it is this information that is given in this indicator that can be useful and relevant for making certain economic decisions. Such information can include the total sums returned by buyers and customers of shipped finished products (goods), trade discounts. But the question immediately arises as to where in the Statement of Financial Results to display the amount of VAT included in the cost of returned finished products. Therefore, in line 030, it is necessary to display the return of finished products minus VAT. Therefore, in our opinion, it is necessary to eliminate the shortcomings that occur in form No. 2 “Report on financial results”, for this it is necessary to provide an additional line for the reflection of VAT in the value of returned finished products.

In the Report on financial results, the scheme for displaying extraordinary income is imperfect. Indeed, if extraordinary income is received, it must be additionally taxed. But the excess of extraordinary

losses over extraordinary income will result in a reduction of the accrued tax on income from ordinary activities.

The basis for the compilation of the “Report on financial results” f. No. 2 is the analytical accounting data for the accounts belonging to the seventh and ninth classes.

In PSP named after Shevchenko often adjusts the amount of the tax liability for value added tax due to changes in selling prices, returns of products (goods) or mistakes made when issuing tax invoices. It is carried out on the basis of special appendix No. 2 “Calculation of the adjustment of quantitative and value indicators to the tax invoice from (date) No. (number). At the same time, there are inevitably differences between the amount of value added tax reflected in the accounting registers under the credit of account 70 “Proceeds from sales”, as it is recorded on the basis of the tax invoice, and the one that is final according to its debit after adjusting the records.

At the same time, in Vedomosti No. 11.4 s.-g. it is unnecessary to detail the credit turnover of account 70 “Proceeds from sales”, when it should be methodologically correct to distinguish debit transactions for it, including, first of all, value added tax, excise duty and other deductions for which there is no places in any analytical register are provided not only for the journal-order form of accounting, but also for those that are performed by software on personal computers.

The above shortcomings of a methodological and methodical nature in the accounting of financial results reporting can be eliminated by excluding account 90 “Cost of sales” from the Chart of Accounts and displaying, instead of entries on it, the quantity and cost of sold products (goods, works, services) on the debit of synthetic account 70 , changing its name in this connection to the following: “Formation of results from implementation”.

Taking into account this proposal, it is necessary to simultaneously improve Notice No. 11.4 of the s.-g. analytical accounting of sales of products, materials, works and services.

Along with this, it is proposed to develop and implement a register of documents on the sale of finished products by industry to improve synthetic and analytical accounting. It is filled out on the basis of primary documents for the sale of finished products – goods and transport invoices, intra-household invoices, invoices and is the basis for compiling a book of analytical accounting.

According to R(S)A 30 “Biological assets” [3], which is intended to regulate accounting in agriculture, primarily biological assets. In addition to the fair value assessment, a fundamentally new method of determining financial results from agricultural activity has been introduced, which is based on the calculation of income and expenses at the initial recognition of biological assets and/or agricultural products, regardless of whether they will be realized in the future.

It should be noted that the application of the mentioned methodology in agriculture is an exceptional phenomenon in national accounting. Therefore, at present, the primary task of domestic science and practice is to research the expected results from the introduction of the methodology for determining the financial result, provided for by R(S)A 30, as well as the study of their impact on the financial and economic stage of both individual enterprises and agriculture as a whole.

The consequences of applying the method of determining the financial results from the production and use of agricultural products, provided for in R(S)A 30, provided that they are assessed at fair value, are:

1. The subjectivity of determining the cost price and/or fair value of products and biological assets, for the production of which self-produced agricultural products are spent, estimated at fair value (seeds in crop production, fodder in livestock production, various types of agricultural products for processing).

2. An increase in retained earnings (uncovered loss) by the amount of the difference between the financial result obtained from the initial recognition of all received agricultural products and the profit (loss) obtained from the sale of part of the harvest. It should be noted that if the enterprise is a fixed agricultural tax payer, the amount of retained earnings does not affect the amount of taxes paid. However, in the case of taxation of the enterprise on a general basis, an increase in retained earnings leads to an increase in the amount of income tax.

Therefore, the application of the methodology for determining financial results, provided for by R(S)A 30, may cause an incorrect determination of actual financial results and an increase in the tax burden on enterprises that are subject to general taxation conditions [3].

Taking into account the above, in order to solve the problems raised above and improve accounting in agriculture in general and biological assets in particular, N. Goncharenko (2017) suggests:

1. Cancel the method of determining financial results introduced by the R(S)A 30 by excluding the relevant provisions.

2. Evaluate at fair value only biological assets. Agricultural products should be accounted for and evaluated on the general basis of asset accounting, taking into account the requirements of R(S)A 9 “Inventories”.

3. The difference between the fair value of biological assets and the costs of their production should be shown as an increase (decrease) in the additional capital of the enterprise on a certain date and recorded on sub-account 425 “Other additional capital” [9].

In our opinion, the proposed improvement will not only facilitate the work of the accountant of PAE named after Shevchenko, and will serve as a more accurate reflection of the company’s financial condition.

In modern business conditions in Ukraine, significant changes are taking place due to the globalization of business activity and the rapid pace of development of information technologies. In turn, this led to the use of information technologies in accounting. The use of automation tools makes it possible to almost completely solve the problem of accuracy and efficiency of information. Various and detailed data necessary for making management decisions can be prepared within a few minutes. The use of computers made it possible to automate the accountant’s workplace and raise the process of registering economic transactions to a new level. An accountant works on a computer in a dialog mode, uses feedback in the process of processing information and obtaining relevant source documents.

The computer accounting system quickly reflects the main processes associated with obtaining various aggregated indicators characterizing the financial and economic activity of the enterprise. In this accounting system, information goes through a single channel and is used for all management needs.

Before implementing a computerized accounting system at the enterprise, it is necessary to carry out reengineering of business processes, that is, rethinking and repurposing the enterprise’s activities to achieve significant improvements in such key indicators for modern business as: income, financial result, level of service and efficiency.

When checking the correctness of the display of income and financial results, the auditor must make sure that the company has fulfilled the basic requirements for annual reports when compiling the Report on financial results:

- all operations must be registered;

- all operations must be registered and presented properly;
- registered transactions must correspond to reality;
- entered in the correct period;
- correctly assessed;
- all operations concern the enterprise;
- entered into the corresponding account;
- correctly presented in annual reports.

In the process of confirming the truthfulness of information in the financial results report, which is carried out by the auditor during the audit of financial statements, three situations may arise when:

- the information recorded in the report reflects the real result of financial and economic activity;
- information in the report is distorted without intention, i.e. due to accounting errors, misinterpretation of laws, incorrect interpretation of economic facts and for other reasons;
- the information in the report is distorted due to its incorrect display by the employees of the enterprise with a previous intention, that is, by applying actions specially prepared to distort certain information.

An important qualitative characteristic of information in reporting on financial results is the completeness of information, which in Ukraine most often becomes the cause of distortion of this reporting.

Thus, according to the data of numerous publications and expert surveys, the specific weight of economic transactions carried out in the shadow sector of the economy is from 40 to 55%, according to the assessment of various experts.

If we are talking about the distortion of indicators from financial results, then its purpose should be determined – it is the underestimation of the basic reporting indicators, on the basis of which the balance sheet profit is determined, or their overestimation. Due to the fact that financial performance reporting indicators are related to tax reporting, the purpose of understating such indicators is tax evasion.

In the case when the basic indicators of financial results are overestimated, and the balance sheet profit is based on them, the purpose of such distortion is to improve the indicators of financial reporting for submission to its users.

However, during the implementation of such a complex procedure as confirmation of the truthfulness and completeness of financial performance

reporting indicators, one should not be limited only to such motives for its distortion.

Before starting a more detailed examination of income, it is necessary to determine the materiality of specific groups of income (R(S)A 15 in the total amount of income). If the auditor recognizes a certain type of income as insignificant, he can ignore the further examination of this income and focus on significant income.

In order to introduce the method of organizing the audit of income and financial results, as well as the number of necessary audit procedures, the auditor conducts testing of internal control and the accounting system, which allows to obtain answers to the following questions:

- analytical accounting of income is carried out with a sufficient level of detail;
- shipment of products and goods is duly authorized;
- analytical accounting data is checked with synthetic registers and the General Ledger;
- accounting of income and financial results is conducted in accordance with the requirements of R(S)A 15 “Income”;

When checking income from the sale of products (goods, works, services), it is necessary to carefully study the compliance of the sales prices according to the documents established by the relevant calculations. In the case of detection of deviations, the auditor calculates the amount of unearned income, finds out the reasons for the deviations by listening to the explanations of the responsible persons.

This information is necessary, first of all, for internal users (owners, administration), but it can be interesting (if the amounts are significant) for external users as well.

The results of such a check are recorded in a working document.

If, according to the data of this inspection, a significant number of facts of price deviation are established, then it is necessary to expand the boundaries of the sample study.

According to established facts of deviations in sales prices, the auditor conducts a detailed study, as a result of which he establishes:

- to which buyers the products were shipped at prices lower than those set by the calculation;
- how it affected the company’s income;
- who from the staff authorized such implementation;
- whether it was a justified necessity.

The auditor displays the results of the audit study of deviations in sales prices in a working document.

Depending on the materiality of other groups of income, the auditor makes a decision on their verification and similarly conducts an audit study.

In order to prepare a conclusion, the auditor records all detected violations and errors in the working document.

Methodical techniques and methods of conducting an audit of the enterprise's activities include:

- calculation-analytical (economic analysis; analytical and statistical calculations; economic-mathematical);

- documentary (compliance of the displayed transactions with the requirements of the current legislation; formal and arithmetic verification of documents that reflect the implementation of business transactions, registers of analytical and synthetic accounting, financial reporting; cross-checking of documents; logical control of the correctness of the display of interconnected transactions, etc.);

- organoleptic (control measurements of works; technological examinations; continuous (continuous) observations, etc.);

- methods of summarizing, evaluating and implementing audit results (analytical grouping of evidence; grouping of intermediate examination results; summarization of research results and drafting of an expert's opinion; development of proposals for the prevention of offenses; delivery of the expert accountant's opinion to law enforcement agencies; implementation of proposals for the prevention of offenses; implementation of the audit results).

In general, data on the income from the enterprise (comparison of income and expenses) is one of the easiest objects for falsification. This is due to a significant number of documents, accounting accounts used for their determination and display. Therefore, the expert accountant faces the task of determining the correctness of the display and comparison of income and expenses.

Sales revenue can be significantly distorted as a result of:

- incorrect determination of the cost of sold products (attributing to its composition costs covered by the financial result of the activity, overestimation of the norms of consumption of raw materials and materials, illegal overestimation of the norms of write-off from natural losses, overestimation of prices for raw materials and materials used in production,

incorrect write-off of excess costs, incorrect distribution of general production costs, etc.);

- incomplete display of income received by the enterprise;
- errors in the calculation of income tax;
- inaccurate display of received fines, penalties, penalties;
- illegal write-off of receivables before the expiration of the statute of limitations;
- overestimation of costs for non-realization operations (paid fines, financial costs, losses from investment activities).

Thus, the audit of the sale of products and the results of the company's activity is one of the longest processes. It requires verification not only of individual aspects of the enterprise's activity, but of the entire set of operations, as they form the result of the business entity's activity and income from sales at the enterprise.

During the audit of income from the sale of products, the journal-order of 11 s.-g., registers, information on the accounting of the sale of agricultural products, commodity and material values and services, information on the accounting of production costs, output of products, and services provided are checked. Along with this, it is necessary to check those primary documents and, above all, the goods and transport invoices, acceptance receipts, vehicle travel documents, weigher's journals, diaries of the arrival of agricultural products, reports on the movement of material values, on the processing of products, on the sale of agricultural products, cash orders, etc. for the purpose of identifying the reliability of the physical and accounting weight of the sold products, their full cost price and sales price. Particular attention should be paid to whether discounts and allowances are real, for this purpose, indicators of the quality of products sold, costs from underpayments by buyers are checked.

Checking the sale of agricultural products on the market, they establish their volumes, the correctness of setting prices and the completeness of the posting of revenue to the farm's cash register on the basis of the "Report on the sale of agricultural products", which is the basis for writing off the sold products; requests from the market administration about the current sales of these or other batches of products, sales prices, etc.; data on the posting of revenue received from market trade on account 30 "Cashier"; taxation of accountable persons.

When conducting an audit of income from the sale of products, it is very important to determine whether there is an understatement of the

income from the sale due to the incorrect reflection in the accounting of income received from buyers in the form of financial assistance, short-term loans, replenishment of social purpose funds and other targeted income. If such facts are revealed as a result of the audit, then it is necessary to make adjustments, while simultaneously increasing the amount of profit before taxation.

Special attention should be paid to the registry section “Payment notes”, for this, cross-checking of interrelated documents is widely used (profitable cash orders, bank statements with documents attached to them, invoices, invoices of internal economic purpose).

Audit planning is the formation of the main strategy and determination of specific methods of conducting the audit, as well as the timing of the audit. The development of the general plan and audit program should be based on the study of the specifics of the client’s business and the data of the preliminary examination of the subject of the audit. The audit plan is developed taking into account the fact that it determines the time of each specific audit procedure. During the development of the plan, auditors and audit firms have the right to independently determine the forms and methods of the audit on the basis of current legislation, current norms and standards, terms of the contract with the client, professional knowledge and experience. The audit firm can coordinate individual provisions of the general plan with the customer’s management, if it is considered appropriate.

The purpose of planning is to draw the auditor’s attention to the most important issues that should be checked most thoroughly. The auditor must plan his work in such a way as to be able to conduct the audit effectively. Planning should help the auditor properly organize his work and supervise the work of assistants participating in the audit, as well as coordinate the work performed by other auditors and specialists of other professions. The nature of planning depends on the organizational form, size and type of activity of the enterprise, the type of audit, the auditor’s perception of the state of affairs at the enterprise.

Developing an audit program involves the same steps as developing an overall plan. The program is a development of the general audit plan and contains a detailed list of audit procedures necessary for its practical implementation. In the audit program, the types, content and timing of the planned audit procedures must coincide with the indicators of the general plan accepted for work. The audit program also includes a list of audits by

its directions, as well as the time that must be spent on each direction of the audit or audit procedure. In order to rationalize the development and optimization of audit programs, large audit firms very often use network graphics.

In the program, the auditor assesses the degree of risk of internal control and his personal risk of not detecting significant errors in reporting, which is possible during audit procedures, determines the term of audit tests, coordinates the work of all possible assistants involved from among the company's employees, determines the presence of other audit performers, if such participate in the work. During the development of the audit program, other issues included in the general audit plan are also disclosed in greater detail.

Audit planning and preparation is carried out in such a way as to guarantee its high quality, efficiency and timeliness of all procedures.

When examining sales transactions, the auditor must remember that, according to current legislation, the sale of goods is any transaction made in accordance with contracts of sale, exchange, supply and other civil law contracts that provide for the transfer of ownership rights to such goods for independent compensation from the terms of its provision, as well as operations for free provision of goods. Free goods (works, services) are:

- goods provided by the enterprise in accordance with donation contracts, other similar agreements, which do not provide for monetary or other compensation of the value of such tangible assets and intangible assets or their return, or without the conclusion of such agreements;
- works and services provided by the company without requiring compensation for their cost;
- goods transferred to a legal entity or an individual for responsible storage and used by it in its production or economic turnover.

The auditor should also check the company's current procedure for setting prices for its own products, shipped goods, provided works and services, especially when carrying out trade transactions and operations for the sale of goods (works, services) to related parties. Income and expenses from the implementation of barter operations must be determined depending on the contract price of such an operation, but not lower than ordinary prices.

Conclusion. The smooth operation of the enterprise depends on the efficiency of the organization of accounting and the debugging of information flows in order to satisfy the requests of internal and external users. This, in turn, requires constant improvement of financial and

management accounting, including accounting of income, expenses of the enterprise, and activity results.

In the conditions of the market economy and the independent activity of domestic enterprises, there is an objective need to determine ways and measures to maximize income from sales. In these conditions, each enterprise must ensure the prospect of its further existence through an effective system of effective management of the process of generating, distributing and using revenue from sales.

The problem of accounting for income, expenses and financial results is very relevant, there are many views of scientists regarding its solution. However, in most agricultural enterprises, the organization of accounting for income and expenses is carried out on the basis of accounting principles and standards. Financial results are determined by subtracting expenses from income. And this is the basis for determining the results of activities not only in crop and livestock production, but also in all sectors of agricultural production.

In today's realities of the functioning of the domestic economy, agricultural enterprises are characterized by unstable trends, which are mainly caused by the difficult economic situation in the country, the consequences of the global economic crisis, constant changes in the legislative framework, limited bank lending to business entities, low level of competitiveness and innovative development.

The analysis of financial performance summarizes the list of actions aimed at studying the results of the enterprise's activities for a certain period of time, in order to determine the efficiency of the use of all resources, identify possible shortcomings in the management of this enterprise and provide the necessary management information for operational management to improve the performance of the enterprise.

In the current economic conditions, which require agricultural producers to ensure their own financial stability, in a not very stable situation in the country's economy, any enterprise seeks to maximize its own financial results, which leads to the need for their qualitative analysis in order to identify reserves for growth in their volumes. in future.

The financial activity of the enterprise should be aimed at ensuring the systematic receipt and effective use of financial resources, compliance with settlement and credit discipline, achieving a rational ratio of own and borrowed funds, financial stability for the effective functioning of the enterprise.

Thus, the value of future financial results of agricultural enterprises is influenced by economic, political, market, foreign economic and other factors, as well as the forces of nature (climate, weather conditions, etc.), which significantly increases the risk of losses for the enterprise. When organizing accounting, one should take into account cash results and probable reserves to cover them.

That is why the analysis of the financial and economic activities of agricultural enterprises is a necessary condition for the effective management of their income and expenses in order to increase profits and increase profitability. The future activity of the enterprise depends on how well the analysis of financial results is carried out, the main factors providing it are determined.

On the studied PAE them. Shevchenko, it is advisable to use an autonomous approach to building a system of interconnection between financial and management accounting, which provides for the maintenance of financial and management accounting subsystems in a parallel system of accounts. This will help to improve the analyticity of accounting information, as it will allow timely determination of the results of activities for each structural unit with the simultaneous establishment of managerial control over responsibility centers.

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Chapter III

ORGANIZATION OF ENTERPRISE EQUITY'S ACCOUNTING IN THE MODERN CONDITIONS

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Introduction. In the current conditions of development of the national economy, the issues of accounting and analysis of equity are of particular relevance, because its presence makes it possible to function effectively to business entities of all forms of ownership. The rational organization of accounting of equity is intended to provide for the peculiarities of formation of equity depending on the organizational and legal form of the enterprise, timely completion of tasks for its planning, control, management and provision of full legal and impartial information about equity at the minimum cost of means and labor.

Literature review. Domestic economists, in particular: M. Alekseyenko, F. Butynen, S. Holov, G. Kireytsev, M. Mosiychuk, O. Pylypenko, I. Polishchuk, M. Pushkar, engaged in research in the accounting of equity, N. Tkachenko, V. Sopko and other scientists.

However, the discussion of many theoretical provisions, the imperfection of regulatory and methodological support of accounting of equity in view of the modern information needs of users have led to the relevance of the research topic.

Results. According to NR(S)A 1 “General Requirements for Financial Reporting”, equity is defined as the difference between assets and obligations of the enterprise [1]. It is this approach that uses most domestic scientists to determine capital from property.

In general, this principle meets the international standards of financial reporting, by which equity is defined as a share in the assets of an entity that remains after repaying all its obligations [2]. However, unlike domestic, international standards consider share capital as net capital or net assets of an entity because they are the main source of financing.

Table 3.1 shows the main approaches to the interpretation of the economic essence of the concept of “equity” in modern economic literature.

Table 3.1. Approaches to the interpretation of the economic essence of the concept “equity capital”

No.	Source	Interpretation of the concept of “equity”
1.	NR(S)A 1 [1]	Part in the assets of an enterprise remaining after deducting its obligations.
2.	F. Butynets [3]	The cost of funds belonging to the enterprise on property rights and used by it to form its assets.
3.	O. Melen, & O. Mastruk [4]	Equity is defined as the total value of funds owned by the entity and used to create part of the asset and ensure the interests of its creditors.
4.	N. Dorosh [5]	Own sources of financing of the enterprise, which without specifying the term of return are made by its founders (participants), or the amount of reinvested net profit, accumulated during the existence of the enterprise, as well as gift capital.
5.	O. Falchenko, N. Poberezhna, & I. Yurieva [6]	Equity expresses the total amount of funds in monetary, tangible and intangible forms invested in assets (property) of the enterprise.
6.	N. Vorobyova, & R. Muzychenko [7]	Equity as a set of monetary, tangible and intangible forms of economic goods, which 9 participate in the economic process of the subject without a fixed date of return to their owners and capable of generating income.

Summarizing the above definitions, it should be assumed that the equity of the entity is the own funds made by its founders, as well as the amounts of reinvested net profit used for the formation of assets of the enterprise in monetary or material form.

This interpretation reveals the essence and purpose of equity capital in the financial and economic activities of enterprises.

Under the sharp influence of changes in the needs for equity management, its classification is constantly evolving, which is changing by introducing new criteria. An economically sound classification of equity is an important link in the successful organization of accounting and management accounting, and also affects the quality of the audit, as it affects the ability to timely and accurately manage equity, and ultimately the validity of management decisions.

The classification of elements is based on the relationship between them, which is expressed in their placement and in a certain sequence of a certain system in relation to certain general principles. Scientific practice provides for a certain systematization of knowledge about a particular subject [8].

The need to divide equity capital by classification criteria is caused by the following problems

- scientific development of accounting, audit and analysis issues related to the formation and use of equity capital;
- further improvement of the organization and methods of accounting and auditing of equity.

Problematic issues of classification of the enterprise's own capital were raised by such prominent scientists in their works as F. Butynets, N. Dorosh, D. Kozachenko, & N. Mardus, and I. Berzhanir [3; 5; 9; 10].

However, despite the availability of a significant number of works, the problems of comprehensive and rational classification of equity capital, taking into account industry specifics, organization of financial control of their rational use, planning for the release of working capital.

In the general sense, classification is the division of concepts, objects and phenomena into classes, types, and categories depending on their common features.

Based on the foregoing, the accounting interpretation of the essence of the category "equity" should be based not on a separate characteristic of capital, but on its systemic properties, which are manifested through the functions performed by individual components of equity. Therefore, the issue of the components of equity capital requires separate consideration.

The structure of equity capital can be presented in different ways, depending on how the nature of capital itself is interpreted.

It should be noted that the amount of equity is an abstract value of property; it is neither a current market nor other valuation of the company for its owners, i.e. it does not reflect the current value of the rights of the company's owners. The amount of equity is significantly influenced by the company's accounting policies related to the principles, methods and procedures used to recognize and measure balance sheet items, including its assets and liabilities. At the same time, equity is the basis for starting and continuing business activities of any enterprise, one of the most significant and important indicators. There are a number of approaches to determining the structure of equity in the economic literature.

In particular, F. F. Butynets classifies equity capital by form and level of responsibility.

1. By form:

- invested capital – the sum of ordinary and preferred shares at their nominal value;
- additional paid-in capital;
- donated capital – assets received free of charge;
- non-refundable assistance;
- retained earnings – a part of the profit received as a result of the effective operation of the enterprise, which was not distributed among shareholders, owners, but reinvested in the enterprise.

2. By the level of responsibility:

- authorized capital – its amount is determined in the constituent documents and is subject to mandatory registration in the Unified State Register;
- additional capital – unregistered capital, i.e., additionally invested capital;
- reserve capital;
- retained earnings, etc [3].

According to the current National Regulation (Standard) of Accounting 1 “General Requirements for Financial Reporting”, equity includes the following structural elements: registered (share) capital, capital in revaluation, additional capital; reserve capital; retained earnings (uncovered loss); unpaid capital and withdrawn capital [1].

In domestic practice, the equity of an enterprise, depending on the source of formation, is also divided into two groups (Table 3.2).

Table 3.2. Components of equity according to the National Standard

Invested capital	Accumulated capital	Regulatory capital
Registered (share) capital	Capital in revaluations	Withdrawn capital
	Additional capital (net of other capital employed)	
Other invested capital	Reserve capital	Unpaid capital
	Retained earnings (uncovered loss)	

Source: Compiled by the author.

The world practice uses the following division of equity capital by

sources of formation (Figure 3.1).

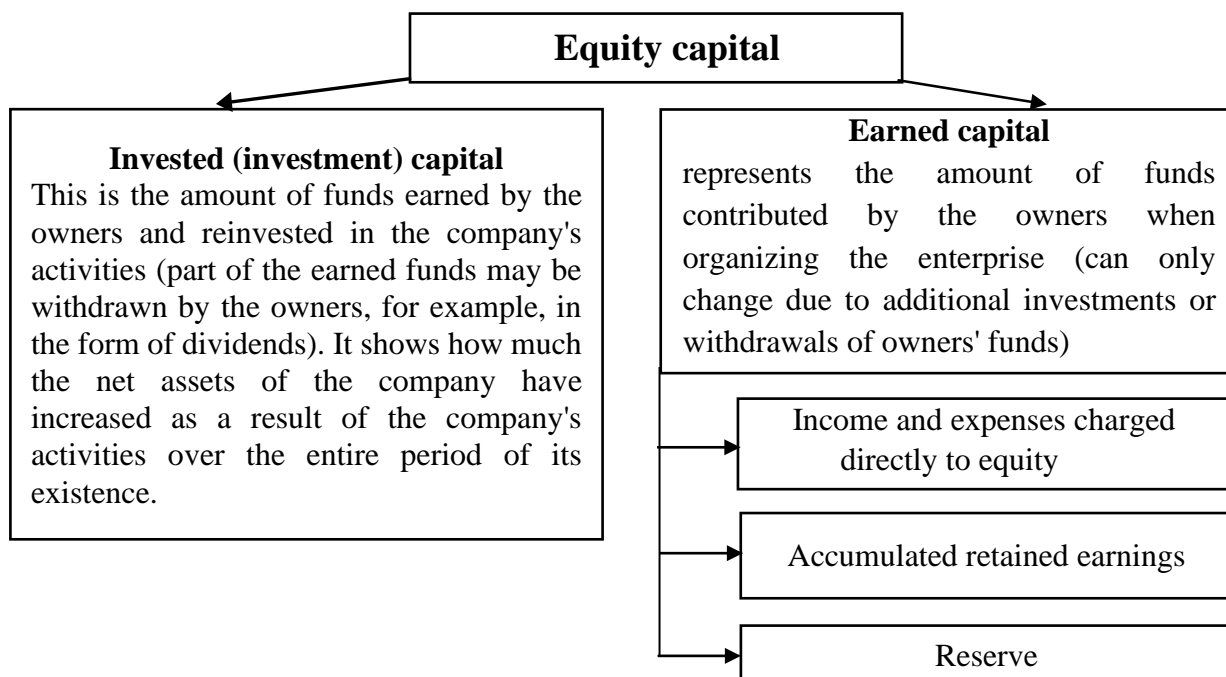


Figure 3.1. **Components of equity according to International Standards** [5]

I. I. Brodska and A. H. Zinchuk in their dissertation classifies capital in the following areas [11]:

- by form of ownership (state, private, collective);
- by the right of ownership (own and borrowed);
- by organizational and legal form (joint-stock, legal, individual);
- by the period of use (long-term, short-term);
- by origin (domestic and foreign);
- by the form of placement in the company's assets (fixed, current).

O. O. Ievtushevskaya and K. I. Chernov classify equity by the main features and we agree with this classification [12].

L. V. Bezkorovina classifies capital by organizational and legal form into component, share, joint stock and main capital [13].

The largest number of classification features of capital division was used by Blank I. A. However, he, as well as most other scholars, classifies capital based on its total value, which consists of equity and borrowed capital.

As for foreign experience, the structure of equity capital in each country is different. An analysis of various sources has shown that the structure of equity capital in each country is diverse. In most countries, equity capital includes authorized capital, authorized capital,

retained earnings and reserves. Japanese companies pay great attention to reserve capital in their equity structure. They create reserve capital; statutory reserve; Other reserves: government grants, insurance risks, initiative reserves (for losses of foreign investments, dividends, business expansion, additional equipment, share buyback, general); reserves for repairs, guarantees, losses, insurance, specific repairs [14].

Studying the opinions of scholars on the classification of equity capital, we can say that there is no clear classification of capital components. This is because the presence or absence of a particular element of equity in its structure depends primarily on the organizational and legal form of the company. In addition, the structure of equity capital is also affected by legal requirements for registration of shareholders' contributions. In accordance with these conditions, the following are distinguished authorized capital (share capital), the registration of which is mandatory, and other capital that is not subject to registration.

The essence of capital is also determined by its structure. According to the NR(S)A 1, the structure of an enterprise's equity capital is as follows, in particular: registered capital, additional capital, retained earnings (uncovered loss), unpaid capital, reserve capital, capital in revaluation, and withdrawn capital [1].

The accounting methodology at Khimprodukt meets the requirements of the national accounting policy. Equity capital plays an important role in the financial activities of an enterprise.

Let's consider the process of formation of equity capital in the private company Khimprodukt (Table 3.3).

Table 3.3. Overall dynamics of Khimprodukt in 2019–2021

Indicator	2019		2020		2021		Deviation of 2021 from 2019	
	thousand UAH	%	thousand UAH	%	thousand UAH	%	thousand UAH	%
Equity capital	12056.4	100	11566.8	100	10566.7	100	9410	100
Increase (loss)	x	x	-489.6	0.2	-1000.1	10.2	-510.5	0.10
Growth rate, %	x	x	-4	0	-9	0	-5	0

Source: Compiled by the author.

According to Table 3.3, in 2019–2021, there is a tendency to decrease the total amount of equity capital of the enterprise. Moreover, the rate of decrease in equity capital over the study period is increasing.

In particular, while in 2019 equity decreased by 4% (UAH 489.6 thousand), in 2021 it decreased by 9% (UAH 1 million), i.e. the rate of decrease in equity doubled.

Thus, equity is a part of the company’s financial resources that are guaranteed to belong to it (i.e., equity – liabilities minus liabilities). Equity capital is characterized by relatively low maneuverability, which somewhat simplifies its accounting, but the importance of equity capital in the life of an enterprise is enormous. Equity capital is the main source of financing of economic activities of enterprises, it also acts as a guarantor of repayment of borrowed funds by the enterprise, and serves as a source of covering losses incurred as a result of economic activities.

Let’s consider the structure of sources of equity capital formation of the enterprise (Table 3.4).

Table 3.4. Structure of sources of equity capital formation of Khimproduct in 2019–2021

Indicator	2019		2020		2021		Deviation of the forecast for 2021 from 2019	
	thousand UAH	%	thousand UAH	%	thousand UAH	%	thousand UAH	%
Equity capital	12056.4	100	11566.8	100	10566.7	100	–9410	–100
Authorized capital	46.2	0.4	46.2	0.4	46.2	0.4	-	-
Other additional capital	12515.1	99.5	12485.9	99.5	12464.2	99.5	–21,7	-
Reserve capital	9.0	0.1	9.0	0.1	9.0	0.1	-	-
Retained earnings profit	513.9	4.3	974.3	8.4	1952.7	18.5	+978.4	+10.1

Source: Compiled by the author.

Thus, the above data indicate a decrease in the amount of equity capital of the analyzed enterprise in 2021 compared to 2019. In particular, in 2021, the total amount of equity capital of the private company Khimprodukt amounted to UAH 10,566.7 thousand, which is UAH 9,410 thousand less than in 2019.

In 2021, shareholders’ equity, authorized capital, other additional capital, reserve capital and retained earnings began to decline sharply. The table shows how the sources of equity capital decreased in 2021. The

deviation in authorized capital, other additional capital, and reserve capital is 0.

As we can see, the main source of equity capital formation is other additional capital, which is typical for an economy that has experienced a period of high inflation.

Let us consider the dynamics of the main sources of equity capital formation (Table 3.5).

Table 3.5. Dynamics of the uncovered loss of Khimprodukt in 2019–2021

Indicator	2019	+/-	2020	+/-	2021	+/-
		%		%		%
Retained earnings (uncovered loss) thousand UAH	-513.9	+4.3	-974.3	+8.4	-1952.7	+18.5
Absolute increase, UAH thousand	x	x	460.4	+4.6	978.4	+9.8
Growth rate, %.	x	x	90%	+0.9	100%	+100

Source: Compiled by the author.

To begin with, let's analyze the dynamics of the source that contributes to the negative trend in equity formation – uncovered loss. This indicator shows an upward trend, which indicates the presence of significant difficulties in the company's operations. Moreover, the loss almost doubles every year. As you can see, retained earnings in 2021 increased to UAH 1952.7 thousand, a growth rate of 100%.

The efficiency of equity capital use is manifested in the extent to which it performs its functions: protective, operational, start-up, reproductive, resource and potential, and administrative and distribution.

As shown in Table 3.6, due to the loss-making nature of the enterprise, there are no contributions to the reserve capital, which means that the equity capital of the studied enterprise does not fulfill the protective function.

The enterprise's equity maneuverability ratio characterizes the share of equity capital used to finance current activities, i.e. invested in working capital. The standard value of this indicator is 0.1 or more.

A positive value of the equity maneuverability ratio indicates the sufficiency of own financial resources, and a negative value indicates that equity and funds raised on a long-term basis are used to finance non-current assets, so to finance current assets, borrowed sources of financing should be used, which will lead to a decrease in the financial stability of the enterprise.

Analyzing the data in Table 3.6, it can be argued that in 2019, the maneuverability of equity capital decreased. As we can see, equity capital decreased by 9.9%, and the coefficient itself was equal to 0. Thus, according to this table, we can see negative consequences for the company.

Table 3.6. Calculation of the equity capital maneuverability of the private company Khimprodukt in 2019–2021

Indicator	2019	2020	2021	Deviation of 2021 from 2019	
				thousand UAH	%
Equity capital	12056.4	11566.8	10566.7	-999.3	-9.9
Current assets	3597.70	4225.40	2128.20	-2097.2	-20.97
Current liabilities	786.8	2248.7	370	-1878.7	-18.7
The maneuverability ratio of equity	0.23	0.17	0.17	-	-

Source: Compiled by the author.

The calculations show that this indicator is below the normative indicators throughout the entire period, with a negative downward trend. Consequently, the operational function of equity capital is performed by it at the studied enterprise extremely inefficiently.

One of the most important financial indicators that determine the resource-potential property of equity capital is the amount of borrowed funds that finance the enterprise's activities and concentrations of equity capital. Thus, the company's equity capital performs the resource-potential function unsatisfactorily, as evidenced by the decrease in the balance sheet currency, i.e. the company is not able not only to expand the amount of resources involved in the company's business activities, but, on the contrary, reduces this indicator.

At the same time, equity capital becomes virtually the only source of financing the company's economic activity (Figure 3.2).

The main tasks of the organization of equity accounting are:

- control over the correctness and legality of equity formation;
- control over the rational distribution of profits;
- timely and correct reflection of the amount and changes that have occurred in the structure of the company's equity;
- generalization of information on the status and movement of equity capital;

– correct reflection of equity transactions in the accounting and reporting registers [15].

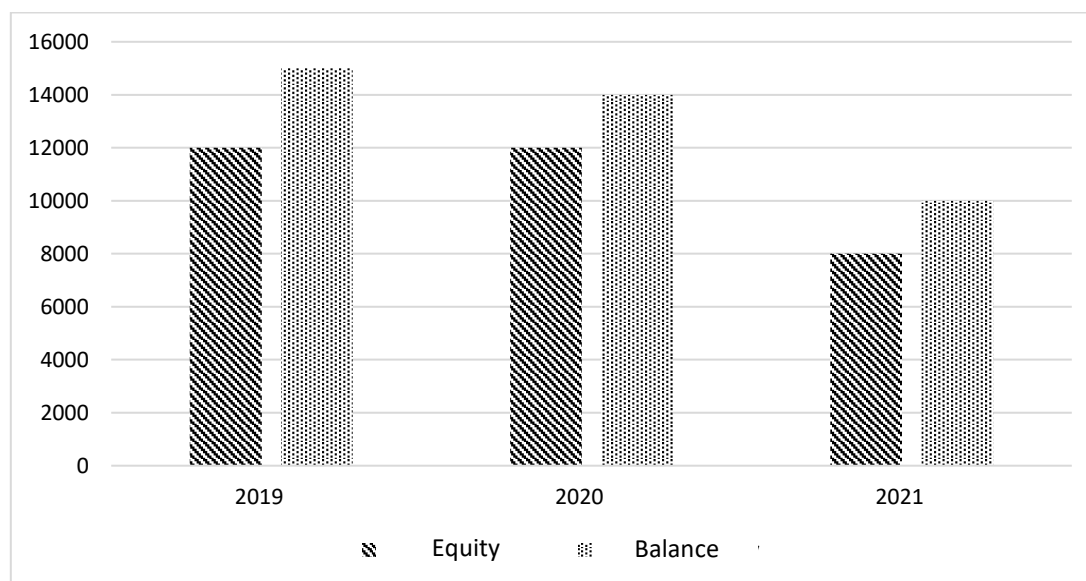


Figure 3.2. The ratio of equity and currency of the balance sheet of Khimproduct in 2019–2021

Source: Compiled by the author.

Organizing accounting is one of the most crucial stages of setting up a business and preparing for its effective operation. Without organized accounting, a company’s business activities are not possible.

The main tasks of the accounting organization are timely, complete, reliable, continuous reflection of all the facts of economic activity carried out at the enterprise.

The accounting organization at enterprises is considered as a system of methods, methods, measures that provide effective functioning and development.

The organization of accounting at agro-industrial enterprises should be considered as a set of measures implemented by the owner of the enterprise in order to implement and summarize the facts of economic life in order to obtain the necessary information for the formation of the enterprise’s reporting and management, as well as to improve the accounting system, with the aim of providing reliable information to both internal and external users [16].

The responsibility for organizing accounting and ensuring the registration of the facts of all business transactions in primary documents, keeping processed documents, registers and reports for a specified period, but not less than three years, lies with the owner or authorized body (official)

who manages the enterprise in accordance with the law and constituent documents [17].

The organization of equity accounting at enterprises should include the following components:

- 1) accounting policy of the enterprise;
- 2) organizational forms of accounting;
- 3) documentation and document flow;
- 4) storage of documents;
- 5) inventory;
- 6) working chart of accounts;
- 7) accounting registers and forms of accounting.

According to international standards, accounting policy reflects the principles, rules and procedures used by the company's management in the preparation and presentation of financial statements.

According to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine, accounting policy is a set of principles, methods and procedures used by an enterprise for the preparation and presentation of financial statements [18]. However, the Law and the National Regulations (Standards) of Accounting do not contain a definition of "accounting procedures". In practice, these procedures are understood as forms of accounting, technology for processing accounting information, organization of document flow, system of accounts used, list of persons entitled to sign documents, etc.

Therefore, accounting procedures should be primarily considered as the organization of accounting of a business entity, and accounting policy as a tool for organizing accounting, as already noted, in a set of methods, principles and procedures in accordance with the specifics of the production activities of a particular enterprise. Based on the results of the analysis of international and domestic accounting regulations, accounting policy can be generally considered as accounting management, and in a more narrowed version – as a set of specific accounting methods used by an enterprise to organize accounting and prepare and disclose financial statements.

Accounting policy of an enterprise is an element of the system of regulatory regulation of accounting in Ukraine According to clause 5 of Article 8 of the Law of Ukraine of 16.07.1999 No. 996–XIV "On Accounting and Financial Reporting in Ukraine", an enterprise independently determines the accounting policy of the enterprise [18],

which means a set of principles, methods and procedures used by the enterprise for the preparation and presentation of financial statements.

The accounting policy adopted by the company is described in the Regulation on Accounting Policy, which should provide for the methodological aspects of the accounting policy, as well as disclose the organizational and technical aspects of accounting at the company that meet the specifics of its activities and the interests of the owners.

The most important objects of accounting for equity are such components of the accounting process as: accounting for authorized capital; accounting for the formation and use of funds and reserves of the enterprise; determination and accounting for financial results (profits or losses).

Despite the existence of a number of tasks facing the accounting policy of the enterprise in terms of accounting for equity (providing data and summarizing information on the status and movement of equity, control over the correctness and legality of the formation of equity, timely, complete, reliable reflection of the amount and all changes in the components of equity, control over the rational distribution of profits by the relevant funds; organization of analytical accounting on equity accounts for timely receipt of reliable information), the organizational component is the list of persons who are responsible for the formation of equity.

The organizational component includes a list of persons responsible for keeping records of equity and their job descriptions; a list of areas of responsibility; trade secrets and the procedure for their protection; an internal control system, etc. These organizational issues may fall within the competence of an accountant, accounting department, chief accountant, internal control department, specially created commission, audit firm, etc.

The methodological part of the accounting policy should specify the following: the procedure for the formation and change of components of equity, the procedure for issuing, reselling and canceling shares, possible sources of formation, directions of profit distribution, etc.

In addition to the organizational and methodological components of the accounting policy, the technical aspect of the accounting policy on equity is also important, which should include the following components:

- 1) a working chart of accounts with the necessary analytical breakdowns of equity components;
- 2) forms of primary documents on capital accounting and settlements with shareholders, schedules of document flow;

3) accounting registers, technology for processing accounting information;

4) composition, procedure and deadlines for submitting internal reports;

5) the procedure for conducting an inventory of equity [19].

It is proposed to account for additional capital in terms of additional contributions from founders, assets subject to revaluation, assets received free of charge, ways of obtaining such assets, etc.

Analytical accounting of the reserve capital shall be maintained by its types, sources of formation and areas of use (use of reserve capital funds to cover losses of the company and other unplanned payments of the company)

Analytical cuts to account 44 “Retained earnings (uncovered losses)” allow to determine the turnover of the financial result of the reporting year both by sources of its receipt and by directions of use, as well as by individual founders, which serves to preserve and increase the owner’s property [20].

In general, the accounting policy at any enterprise should contain information about the company’s equity and provide for integrity in the organization of equity accounting and cover methodological, technical, and organizational aspects.

Documentation and workflow play an important role in the organization of equity accounting. The basis for accounting for business transactions with components of equity is the primary documents that record the facts of business transactions. The procedure for documenting business transactions and the requirements for drafting documents are regulated by the Regulation on Documentation of Accounting Records approved by Order of the Ministry of Finance of Ukraine No. 88 dated 24.05.1995 and the Law of Ukraine “On Accounting and Financial Reporting in Ukraine”. Primary documents must be prepared during the business transaction, or if this is not possible, immediately after the transaction is completed. To control and streamline data processing, summary accounting documents may be drawn up on the basis of primary documents [18].

Companies go through a number of processes that lead to the loss of inventory for various reasons. These losses lead to a discrepancy between the current accounting data and the actual availability of property. In order to eliminate this discrepancy and ensure proper storage of the property that is the contribution of the company’s founders to the authorized capital, it is necessary to conduct a periodic inventory. The procedure for conducting an

inventory and recording its results is set out in the Regulation on Inventory of Assets and Liabilities of the Ministry of Finance of Ukraine No. 879 dated 02.09.2014, as amended. An inventory is an inspection and documentary confirmation of the existence and condition of assets and liabilities (contributions to the authorized capital of an of the company, etc.) It is one of the elements of accounting and acts as a mandatory supplement to the current documentation of business transactions for accounting for equity. Inventory is conducted to ensure the reliability of accounting data and financial statements. Enterprises are required to take an inventory of assets and liabilities, as well as document their availability, condition and valuation [18].

An important aspect of the organization of accounting for equity of enterprises is the use of the accounting system, which is represented by the Chart of Accounts for Accounting for Assets, Capital, Liabilities and Business Transactions and the Instruction on its application.

The main purpose of the Chart of Accounts is to provide the information necessary to control the company's operations, make effective management decisions and prepare reports. At the same time, the Chart of Accounts establishes a general conceptual approach to building a new accounting system.

The accounting policy should contain information about the company's equity and provide for integrity in the organization of equity accounting and cover methodological, technical, and organizational aspects.

The main purpose of regulating equity accounting is to ensuring effective control over the formation of sources of own funds. To account for changes in equity related to a change in basic means, materials and cash, primary documents are used, approved for the appropriate type of assets. Primary documents are prepared on the basis of typical tables approved by the Ministry of Statistics of Ukraine, and special tables approved by different ministries of Ukraine, or self-designed tables with specialized or typical details tables.

According to equity and changes in the assets and liabilities of the enterprise, the main documents for accounting transactions with equity and their components are:

- orders, orders, decisions of meetings of participants of the enterprise;
- constituent contracts;
- the act of acceptance and transfer of fixed assets;
- act on acceptance of materials;

- profitable and expenditure cash order;
- bank statements;
- accounting certificate.

Information on the amount of authorized capital should be displayed in the constituent documents and to be registered in the State Register. The amount registered in the balance sheet of the enterprise should not be different from the one registered in the State Register. Therefore, the funds of the founders who have not been invested in the balance sheet liability separately.

The constituent description of the property is formed in accordance with primary documents such as contract, acceptance acts, invoices and documented the formation of authorized capital.

The formation of this capital comes from the compulsory and voluntary contributions of participants in monetary or natural forms. The amount of contributions of participants is determined by the charter of the company or the general meeting.

These contributions may be paid once or during the period prescribed by constituent documents. Analytical accounting is conducted in the context of each participant by type of contributions.

Accounting provisions (standards) provide for the distribution of profits by future use. Issues concerning the order of distribution of profits/losses are considered in the charter, as well as in the founding agreement. In addition, the order of distribution is within the competence of the general meeting of the founders. The directions of use of retained earnings need to keep analytical accounting in a certain account.

The objects of organization of accounting of equity are the primary stage, current and generalizing. The objects of each stage are nomenclatures, carriers of nomenclature, their movement and provision.

Accounting for equity is a liquid phenomenon at the enterprise, much less attention is paid to documenting these operations. Joint requirements for primary accounting documents are arranged by the Regulations on documenting records in accounting.

After studying the composition of the accounting nomenclatures, the initial accounting of equity, which reflects the process of formation or withdrawal of a participant from the company.

The album of primary documents is determined centrally for most carriers of the primary nomenclature. In the absence of such a carrier, the enterprise develops it independently and approves it in accordance with the

legislation. Each primary account carrier draws up a document circulation schedule.

Current accounting currently means the processing, registration and recording of primary credentials (ie media) in the accounting register, their grouping and regrouping for obtaining the required final information. The modern accounting organization also begins with the study of accounting composition, which is covered by accounting registers and various forms of calculation.

The current accounting of equity is the register of analytical accounting of the object and synthetic accounting of accounts, their features and the degree of generalization.

The organization of generalized (final) accounting begins with the determination of the composition of accounting terms, which should be reflected in the relevant final media of accounting information. These terms are a system of indicators used to describe the states and changes in economic facts, that is, phenomena and processes, and all the basic balance sheet items and results of activity. Accounting nomenclatures of generalized accounting of equity are formed in relation to the generalized data of the tax period and indicators of internal, financial, statistical and tax reporting. Properly organized primary and current accounting will provide reliable information in general accounting.

The balance is the main document of general accounting is the balance and is made in the conventional form. Other documents of the final accounting are cumulative information, tables in which the information is provided for information is required for management personnel and the formation of reporting of the enterprise.

Formation of data for a statement of equity and notes to financial statements require more time to organize a nomenclature. The preparation of the statement of equity is governed by the instructions for filling in the financial statements. Drawing up a statement of equity provides all users of financial statements with reliable and impartial information on changes that influenced equity in the course of business activities

In Table 3.7 shows objects and content of verification of equity components.

When checking the presence of components of equity, auditors use documentary and actual control methods. Checking the turnover and the balance on accounting accounts is carried out selectively.

Table 3.7. Objects and content of verification of equity components

Verification object	Content of the check
Credit balance	Compliance with account 40 “Registered (unit) capital” the amount of registered capital approved in constituent documents.
Increase in registered capital	by increasing the value of tangible assets entered in the authorized capital
Timeliness of introduction by the founders of the shares to authorized capital	Correct documentary reflection in accounting
Timeliness of amendments to the register of shareholders	Correct documentary reflection
Registration of new ones founders	Correct documentary reflection
The calculation of particles that seized by the founders from the authorized capital	Correct documentary reflection in accounting
Statistical, Financial, Management Reporting	Availability and correctness of registration of documents on financial and economic transactions performed
Account balances to financial statements	Correct documentary reflection in accounting

Source: Compiled by the author.

The efficiency of enterprises largely depends on equity accounting, which should facilitate the timely provision of objective information on identified internal reserves, improve asset utilization, and save material and labor resources. An important element of the organization of accounting is also the development and approval of the amount and structure of equity and debt capital. One of the priority tasks of accounting is accurate and complete reflection and disclosure of information in the company’s financial statements.

The formation of the accounting process of equity is a rather complex process that depends on the structure of equity and involves issues of accounting policy, organizational features of joint-stock companies and information support for issuers of securities, which is directly the basis for accounting for equity.

The organization of equity accounting is directly within the competence of the company’s owners. In other words, the owner is responsible for organizing accounting and ensuring that all business transactions related to the formation and use of equity components are

recorded in primary documents, and that documents, registers and reports are kept within the prescribed period. Therefore, there is a need to study all stages of the organization of equity accounting at enterprises.

Thus, summarizing the results of the study, it should be noted that in order to organize effective accounting of capital at the enterprise, it is necessary to ensure control over the implementation of the planned tasks, making management decisions and providing full, reliable information. The objects of organization of accounting of equity are the primary, current and generalization stage, and the characteristic features of the organization of accounting of equity are the organizational and legal form of the enterprise, which determines the content of financial relations in the process of formation.

At the private company Khimprodukt, the accounting of equity is in line with the legal and regulatory requirements. The data contained in the primary documents are recorded in the accounts in the synthetic and analytical accounting registers. The information in the primary documents is summarized by double entry in interrelated accounts. Primary documents are allowed for accounting only in the original format, except in certain cases provided for by law.

The data of analytical accounts are equivalent to the corresponding accounts of synthetic accounting as of the first day of each month. The accounting registers contain the name, period of recording of business events, and relevant data allowing to identify the persons involved in their creation. Business transactions are reflected in the accounting registers in the reporting period in which they were performed. Primary documents for accounting for transactions with equity can be divided into groups according to the changes that cause business transactions in the assets and liabilities of the company (Figure 3.3).

Let us consider in more detail the changes that take place in the components of equity of the private company Khimprodukt and their documentation in accordance with the current legislation (Table 3.8).

The content of business transactions with different types of equity is regulated on the basis of NR(S)A 1 “General Requirements for Financial Reporting” and the Instructions to the Chart of Accounts.

In accordance with the Regulation on Documentation of Accounting Records, the private company Khimprodukt contains the following information: “business transactions are recorded in accounting by the method of their continuous and uninterrupted documentation”, a universal

document, the accounting certificate, is used.

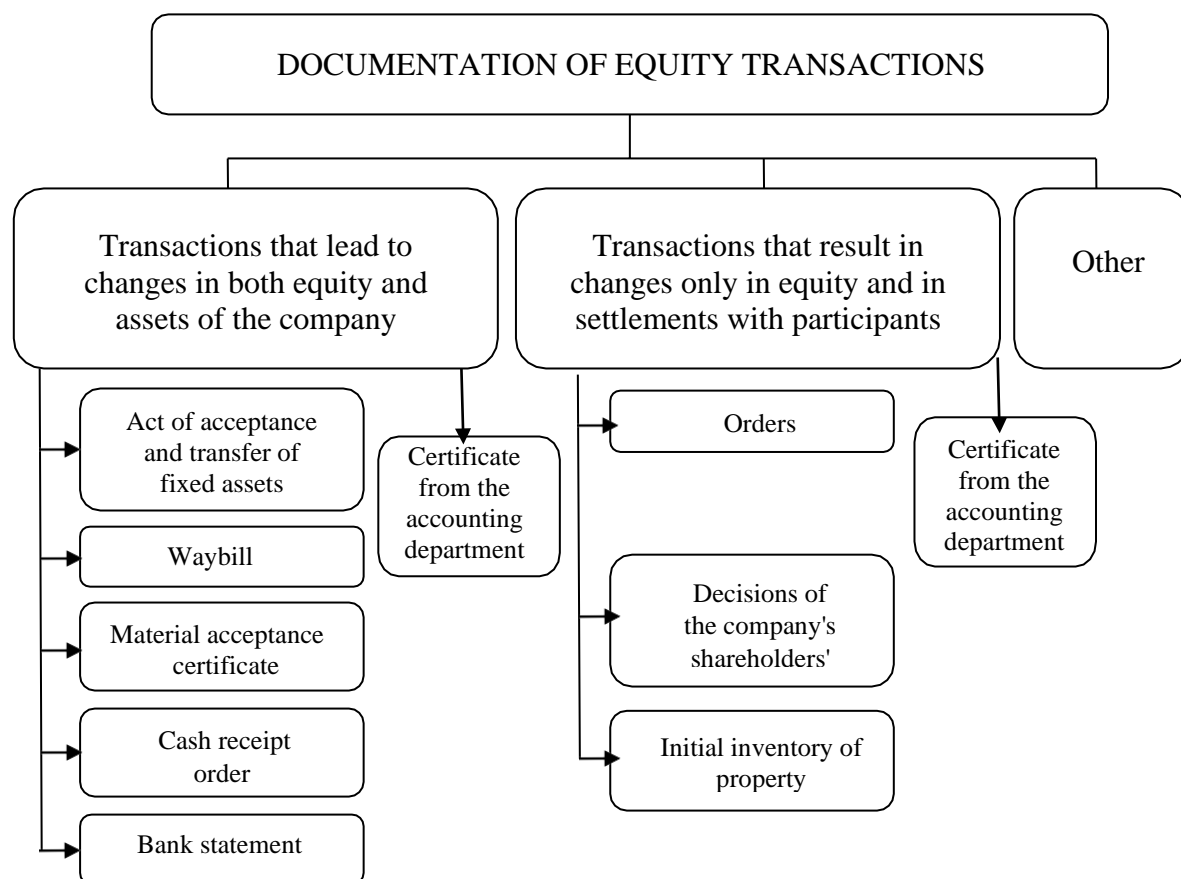


Figure 3.3. Groups of primary accounting documents for transactions with equity, according to the changes that cause business transactions in assets and liabilities at the private company Khimprodukt

Primary documents and accounting registers may be seized from an enterprise only by a decision of the relevant authorities made within the limits of their authority, as provided by law. In the presence of the relevant representatives performing the seizure, an official of the company may reproduce copies of the documents.

The effect of adjustments to accounting policies for events and transactions in prior periods, as well as correction of errors made in the preparation of financial statements in previous years, the private company Khimprodukt is adjusted by correcting retained earnings at the beginning of the current year. The amount of these adjustments is calculated by the accountant in the accounting certificate.

Table 3.8. Primary documents for accounting for equity transactions at the private company Khimprodukt

Business transaction	Document	Effect of the transaction on the component of of equity
Change of accounting policy	Accounting note	Increases or decreases retained earnings retained earnings (retained earnings)
Corrections of errors	Accounting note	Increases or decreases retained earnings (retained earnings) (uncovered loss)
Revaluation of property, plant and equipment, construction in progress and intangible assets intangible assets	Accounting certificate	Increases or decreases other additional paid-in capital
Disposal of previously revalued non-current assets	Act of acceptance and transfer of fixed assets, accounting certificate	Decrease in additional paid-in capital and increase in retained earnings
Determination of the financial result for the reporting period	Accounting certificate	Recognition of profit or loss
Distribution of profits:	Decision of the meeting of participants	Decrease in retained earnings
– payments to owners (dividends)		
– contributions to the reserve capital		Decrease in retained earnings and increase in reserve capital
– direction of profit to registered capital		Decision of the shareholders' meeting, new version of the charter
Registration of registered capital	Charter	Increase in registered (share) capital and unpaid capital
Repayment of capital debt:		
– in cash	Bank statement	Reduction of unpaid capital
– fixed assets	Act of acceptance and transfer of fixed assets	
– production stocks	Certificate of acceptance of materials, invoice	
Excess of the actual ontribution by the participants to the registered capital over its debt	Accounting certificate	Increase in share premium or other invested capital
Assets received for free assets	Act of acceptance and transfer of fixed assets	Increase in other additional capital

When the private company Khimprodukt revalues an item of property, plant and equipment, construction in progress, intangible assets (for which there is an active market), if the carrying amount of such items differs significantly from their fair value at the balance sheet date, the amount of such revaluation of the carrying amount of such items is recognized as a

component of additional paid-in capital, and the amount of such revaluation of the carrying amount of such items is recognized as expenses. When revaluing these objects, an agricultural enterprise should pay attention to information on previous revaluations and impairments.

In the event of a participant’s withdrawal from the private company Khimprodukt, in addition to the share in the registered (share) capital, he/she shall own a part of the company’s property proportional to his/her contribution to the registered capital. The decision on the withdrawal of a participant is made at the general meeting and is regulated by the minutes; the calculation of the share of property owned by him is formalized by an accounting certificate.

Thus, business transactions are reflected in the accounting records of the private company Khimprodukt only if a primary document is available. For primary documents for which there are no standardized forms, the company prepares an accounting certificate. In general, a significant problem is the lack of standardized forms of documents to reflect the process of formation and use of profit. In terms of liabilities, there are no relevant primary documents that would allow separating debts and liabilities in the accounting records, which are of great importance for the management of the enterprise.

The equity of the private company Khimprodukt consists of registered and additional capital. Own sources also include retained earnings. The scheme of registered capital accounting at the researched enterprise is presented in Figure 3.4.

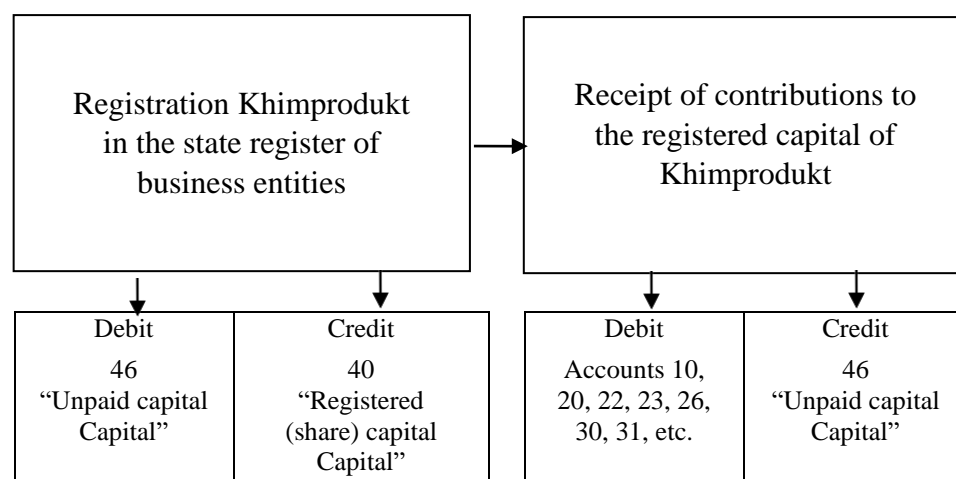


Figure 3.4. Procedure for accounting for registered capital in the private company Khimprodukt

Thus, the real value of the share capital of the private company Khimprodukt can be represented as the difference between the balances of accounts 40 and 46. Thus, the balance of account 40 is the actual value of the object of study's share capital, which is reflected in the constituent documents.

Analytical accounting of the registered capital is maintained by type of capital for each participant, reflecting the corresponding amount of capital, using a special journal.

To account for retained earnings or uncovered losses, the private company Khimprodukt uses account 44 "Retained earnings (uncovered losses)". The credit is used to record an increase in profit, and the debit is used to record losses and the use of profit, respectively.

In the private company Khimprodukt according to the Plan of Accounts for Accounting of Assets, Capital, Liabilities and Business Transactions of Enterprises and Organizations, the financial result from account 79 is transferred to the corresponding subaccount of account 44.

The reflection of transactions related to equity in the private company Khimprodukt is shown in Table 9.

Thus, the synthetic and analytical accounting of equity of the private company Khimprodukt meets the requirements of the current legislation. Effective capital management is impossible without thorough control over changes in its amount and structure.

Table 3.9. Accounting entries for equity of the private company Khimprodukt as of 01.01.2023

Content of business transactions	Primary documents	Correspondence of accounts		Amount, UAH thousand
		debit	credit	
The amount of registered capital in accordance with the constituent documents is displayed	constituent documents, accounting certificate	46	40	133767.0
The financial results are presented:				
profit	accounting certificate	79	441	108902.0
The use of profit is reflected	Accounting certificate	441	443	108902.0
Profit used for transfer to retained earnings	Decision of the founders, accounting certificate	443	441	108902.0

The subjects of management control over equity transactions are the accounting entities, namely management personnel and special services

established at the private company Khimprodukt for the following purposes for control purposes (general meeting of shareholders, audit department, inventory commissions, internal control services).

When organizing control at an enterprise, it is first of all necessary to clearly understand the functions of the registered (share) capital of the private company Khimprodukt, namely:

- fundamental (the property contributed to the registered (share) capital constitutes the property basis for the company's business activities at the time of its establishment);
- regulatory (determines the share of each participant, which affects the distribution of property upon withdrawal from the company);
- long-term financing (used by the private company Khimprodukt for a long time);
- organizational (determines the organizational structure, and therefore is a factor influencing the management of the company);
- guarantee (guarantees the fulfillment of the company's obligations to third parties (counterparties)) [21; 22].

The organization of control over capital turnover by the owner is formed during the establishment of the company, when it is purchased, or when the owner of the controlling stake changes.

The effective methodology of internal control of operations with registered (share) capital at the private company Khimprodukt includes the following

- objects of internal control;
- sources of information, programs;
- subjects of control;
- methods of verification of timeliness of settlements on contributions to the registered (share) capital and accrued dividends;
- compliance of the registered (share) capital with the size of the company's net assets;
- tasks, forms of working documents of the internal controller;
- formalization of control results [23].

This provides the management staff of the private company Khimprodukt with reliable information on the financial condition of the company.

Preliminary, current and subsequent internal control of operations with registered (share) capital at the private company Khimprodukt is carried out using methodological techniques. The methodological methods include the

following: documentary (arithmetic verification, formal verification, logical verification, economic verification, regulatory and legal verification, mutual control, counter-verification, analytical verification of financial statements); actual (inspection, verification of property in kind, inventory of settlements with participants).

Preliminary control by the owners of the private company Khimprodukt consists in the processing and approval of all necessary documents (from the charter to internal documents). It also involves resolving the issue of the personnel composition of executive bodies, the Audit Committee, and the approval of the auditor.

At the same time, the owners of the private company Khimprodukt define the purpose of the business, select the criteria for its operation and establish the organization of the capital turnover control system. The company's provision with registered (share) capital sufficient for normal operation determines the rights of the general meeting of shareholders (participants) as the main management body, its exclusive competence, establishes the rights and obligations of all participants, determines the composition, sources of the company's property, powers to dispose of property, and establishes the procedure for profit distribution.

The owners of the private company Khimprodukt appoint the director as the sole executive body of the company, with a fixed term of office, with the obligatory conclusion of a contract stipulating his tasks, rights, duties, responsibilities, remuneration system, material incentives, etc.

The owner determines the level of costs that the company has to bear by paying the owner for agreeing to use its resources as a factor of production. It prescribes procedures for controlling the financial and economic activities of the company, accounting, reporting, document storage, restructuring, and liquidation of the audit committee. Therefore, the owner influences the capital turnover by joining the management system. Current control takes place at the time of the transaction, determining the direction of investment resources, etc. This prevents possible abuses in the receipt and payment of funds, promotes financial discipline and timeliness of financial and monetary settlements.

The current control over capital turnover should be in the interests of the owners of the private company Khimprodukt. It is broader, provided that the owners independently carry out operational management.

The most common of all types of control are the following controls. They include review of annual reports on production and financial activities,

valuation of the company's assets, audit of financial discipline, analysis of financial condition, etc. The use of resources to the private company Khimprodukt is a process that should be considered by investors as an investment, and by the company as a source of capital for its creation. To solve the problem of control from the investor's point of view, it is enough to use financial methods that allow to determine the timing and amount of return on investment.

Further control over the capital cycle is performed by an impartial external control system that plays an important role in monitoring operations and practices (board of directors, audit committee, audit committee). From the point of view of the private company Khimprodukt, which is engaged in capital accumulation, it is necessary to use this form and method of control not only to determine the existence of a violation, error or fraud, but also to examine the resources involved, assess the efficiency of their use and increase the reserve of resources. It should be noted that currently in Ukraine, a pragmatic, narrow approach to corporate control prevails in practice, mainly based on the study of certain types of corporate assets and sources of their formation, which is very important for the private company Khimprodukt. Because of this, the system of capital circulation, which is the basis of the company's economy, including a set of property rights and obligations, is not given sufficient attention in the practice and theory of economic control in the practice and theory of economic control is not given sufficient attention.

One of the most challenging tasks in the financial decision-making process financial decisions is the choice of an optimized equity structure, which provides for the optimal ratio of own and borrowed sources of the enterprise. The financial condition of an enterprise is considered to be the best if its structure exceeds the share of own working capital. Therefore it is important to study the procedure for accounting for equity capital of an enterprise and elimination of deficiencies in its accounting.

Today, the organization of equity accounting has a number of shortcomings, in particular:

- lack of a separate standard for accounting for equity;
- failure to take into account the impact of economic factors on the amount of equity;
- the order on accounting policy does not contain a clause on accounting for components of equity;

- absence of a procedure for accounting for payments in the order on accounting policy of the company in the event of withdrawal from the company;
- imperfection of analytical accounting for certain components of equity;
- lack of regulatory and methodological recommendations on accounting for equity capital [3].

In order to improve the accounting of equity at the enterprise, it is necessary to amend the Order on the accounting policy of the enterprise, allocating a separate to include equity accounting as a separate item. At this enterprise, this issue is of particular relevance of particular relevance, since in a crisis situation, radical changes in the company's activities up to the possible sale of a part of fixed of fixed assets. Therefore, the administration needs information on which part of the shareholders to conduct operational and explanatory work in the current order in order to in order to gain support for reorganization decisions at shareholder meetings.

It is necessary to provide for analytical accounting of additional capital by participants, as well as the procedure for assessing contributions, given that the company is relevant for the company to attract investment, so in the event of an investor who wants to make a contribution of some type of asset in exchange for shares in the company, the situation with valuation of such contribution remains uncertain at present. In the same context, it would be desirable to keep a separate analytical record of the number of shares of the company's employees that can be sold by them. Such accounting would provide the company's administration with information on how many shares and at what price can be can be bought out from shareholders in order to form a block of shares and transfer it to a possible to a potential investor.

Full use of modern and efficient software products would significantly improve the efficiency of management accounting and ensure comprehensive use of primary information for accounting purposes, analysis and audit of the authorized capital.

In a market economy, information on the company's capital is a prerequisite for making strategic decisions in the area of identifying sources of financial resources and their allocation in the company's assets. It depends on quality and variety of information provided to the accounting depends on the level of management of financial resources and, as a result, ensuring financial stability, solvency and creditworthiness of the enterprise.

Management accounting data on equity can provide unexpected results for managers results for managers. For example, an entity that has been in operation for a long period of time for a long period of time, it may turn out that the funds of the authorized capital initially invested in fixed assets, due to the full depreciation and disposal of the latter, the acquisition of new fixed assets at the expense of of the latter, the acquisition of new fixed assets at the expense of long-term loans or profits, now fully finance only current assets. Or, vice versa, initially formed in the form of cash contributions registered (share) capital, as a result of the financial policy, after some period of time can actually be provided with various types of fixed and intangible assets.

In most cases, registered (share) capital is secured by both fixed and current assets. With regard to managing the structure of equity capital, it is precisely the optimal ratio between authorized capital, additional capital, reserve capital and retained earnings that makes it possible to properly use the company's own funds.

When accounting for equity, the problem of forming own financial resources remains relevant. The availability of such information ensures the possibility of attracting own financial resources from various sources in accordance with the needs of its development in the future. This will allow to form the necessary level of self-financing of production development of the enterprise.

For management purposes, accounting information is used to:

- analyze the formation of the enterprise's own financial resources in order to identify their potential and its compliance with the pace of development of the enterprise;
- determine the total need for own financial resources;
- assess the cost of attracting equity capital from various sources;
- ensuring the maximum amount of attraction of own financial resources from internal sources;
- ensuring the required amount of attraction of own financial resources from external sources;
- optimization of the ratio of internal and external sources formation of own financial resources.

To manage equity capital at the stage of setting up a new company accounting information about the founders, their share in the total capital is required and its receipt in the form of tangible assets, intangible assets, and cash. Subsequently, accounting data on the increase in the initial capital due

to the receipt of new investments, the formation of reserve capital as a result of profit distribution, as well as a decrease in the authorized capital upon withdrawal of participants, withdrawal of funds for certain reasons.

Accounting for equity provides information on operating activities, financial activities, while combining management functions – accounting, planning, coordination, control, analysis, and decision-making. Given that profit is the main purpose of a commercial enterprise and ensures the interests of the owners (founders, shareholders), this determines the need for effective and continuous management.

Conclusion. As a result of the study, a hypothesis was put forward that the basis of any business entity's activity is equity, which is formed at the beginning of the organization's activity and further requires regular analysis and control over the sufficiency of its size and structure, and, if necessary, the company's management should develop and take measures aimed at maintaining equity at a certain level or increasing it.

In this aspect, accounting support and reproduction of information on equity in the financial statements contributes to meeting the needs of economic entities in the process of making economic decisions.

The balance sheet provides information on the structure of equity and its status at the beginning and end of the reporting period. Along with the balance sheet, domestic companies use the Statement of Equity in the form No. 4. This document shows how equity capital was replenished or reduced, as well as transactions that resulted in changes in this source of the business entity's property.

Thus, the management of the enterprise under study should adopt the following algorithm of actions to make management decisions regarding equity in the context of ensuring the financial security of the enterprise:

1. Comprehensively analyze the status, structure and dynamics of equity capital.
2. Develop a program, plan and carry out documentary and actual verification of the state of equity capital, taking into account the interests of both external and internal stakeholders.

The main criteria for optimizing the capital structure are an acceptable level of level of profitability and risk in the company's activities, minimization of the weighted average cost of capital of the enterprise, maximization of the market value of the enterprise. Each company should choose the criteria for optimizing its capital structure independently of the capital structure.

So, let us highlight the main areas of improving the efficiency of accounting for equity of the company's equity:

- company managers should choose a compromise approach to financing the assets of the business entity;
- to analyze the financial and property status, the intensity of use of fixed capital, which is an indicator of the efficiency of the enterprise;
- reduce the terms of receivables, which will accelerate capital turnover.

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Chapter IV

FINANCIAL CAPACITY OF TERRITORIAL COMMUNITIES IN THE CONTEXT OF DECENTRALIZATION

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Introduction. The reform of local self-government and territorial organization of power on the basis of decentralization in Ukraine was launched in view of the unsatisfactory ability of the vast majority of local governments (LG) out of more than 11,000 local councils that existed before 2014 to exercise their own and delegated powers at the proper level. One of the goals of the reform was to amalgamate territorial communities to strengthen the capacity of local governments to more effectively address public issues within their competence and provide better and more diverse basic public services.

Under current conditions, there is a reasonable expediency to develop a new methodology for assessing the capacity of territorial communities, to create a new system of indicators and criteria that would characterize the most important indicators necessary to assess the institutional capacity of communities and their territories, and to take into account the new challenges faced by communities.

Thus, the task of formulating and implementing state policy on strengthening and developing local self-government, and developing proposals for completing the local self-government reform has arisen. For this purpose, it is necessary to have a methodology for assessing the capacity of territorial communities (TC).

Literature review. The problems of forming the financial capacity and budget of territorial amalgamated communities in Ukraine are studied by a wide range of scholars and practitioners, such as O. Artyukh, O. Vasylyk, O. Hetmanets, O. Kyrylenko, V. Kravchenko, O. Kuzmenko, O. Moroz, V. Nikolenko [6], A. Nesterenko, A. Nechai, O. Orliuk, K. Pavliuk, V. Plaksienko, O. Suntsova, N. Tkachenko.

In particular, the financial aspects of amalgamation, the processes of building a system of local budgets and practical issues of forming capable communities were studied in the works of A. Buriachenko, I. Voznyak,

M. Goncharenko, V. Vensel, I. Gerasymchuk, T. Gurgula, I. Hrynchyshyn, R. Ihnatenko, Y. Kazyuk, H. Markovych, V. Melnyk, I. Storonianska, L. Sukharska, A. Tkachuk, O. Kraynik, I. Kozak, V. Koval, T. Kutsenko, I. Storonianska, Y. Sirenko, H. Patytska, A. Pelekhaty, and others.

Results. There is a sufficient amount of substantiation of the content of the concept of “financial capacity” in the scientific literature, but it is necessary to pay more attention to the study of the financial capacity of the territorial community as a category of public finance.

O. Demianchuk focuses on the key problems of the financial capacity of local budgets in the context of decentralization, namely: the loss of a significant part of tax revenues to the budgets of TCs; low activity of TC self-government bodies; limited tools for controlling the use of budget funds, total corruption and bureaucracy [1].

H. Voznyak operates with the concept of financial capacity of local self-government bodies and considers it in connection with the problems of local budget formation [2].

According to O. Zarubina, the financial capacity of local budgets is related to the effectiveness of the functions of local governments, and he interprets financial capacity as the result of management activities [3].

I. Kaminska characterizes the category of financial capacity as “the ability of a region to resist destabilizers of socio-economic development on the basis of ensuring a sufficient amount of financial resources, their optimal distribution and efficient use, subject to the structure of funding sources that will ensure stable development in the short and long term” [4].

M. Karlin argues that the financial capacity of a region is its financial ability to meet the basic socio-economic needs of the residents of this region and to provide funding for national functions, in proportion to the financial capacity of the region [5].

M. Kovalenko, H. Shvorob, and T. Matsiievych argue that “the financial capacity of the region implies its ability to provide decent conditions for its development, which is based on the ability of the subjects of regional relations to jointly form and implement a financial strategy for sustainable regional development, to involve in this process the available and potential financial resources of the region in a given period to finance economic, social and environmental development programs, to establish maximum and rational directions of their distribution and use” [6]

According to S. Kondratiuk and N. Osadchuk, “financial capacity is a category that reflects the current state of financial resources in the region, capital turnover and the resource capacity of the region for upward economic development” [7].

T. Kutsenko and Y. Sirenko argue that “the financial capacity of an administrative-territorial entity (or municipal entity) is its ability to ensure the receipt of a sufficient amount of financial resources and the formation of an effective structure of their sources, as well as their qualitative distribution and effective use to overcome stabilizers and achieve stability of the socio-economic development of the entity in the short and long term” [8].

According to G. Markovych, in the context of decentralization, the effectiveness of the use of local budgets (including the budgets of TC) depends on local authorities. After all, the issue of determining the priority areas of development of territories and the distribution of budget funds by areas is now within their powers, and local authorities are independent in making decisions on these issues [9].

I. Storonianska and A. Pelekhatyi study the issues of financial support for the development of territorial communities (in terms of budgetary relations) as a basis for increasing their financial capacity [10].

L. Sukharska understands the financial capacity of territorial communities as their ability to “attract, accumulate and effectively use financial resources from various sources to address pressing issues of local importance” [11].

A. Buriachenko and I. Filimoshkina emphasize the need for sufficient financial resources to ensure financial viability and an adequate level of services at the local level [12].

S. Sember, O. Chubar, and K. Mashiko interpret the financial capacity of the community in a broad sense and substantiate its dependence on a whole range of financial resources and revenues generated within the community and coming from outside [13]. Thus, from their point of view, the financial capacity of a territorial community should be considered as a complex indicator consisting of its budgetary capacity, the financial capacity of households and the financial capacity of business entities, which together form the financial capacity of the territorial community in a broad sense. In a broad sense, the financial capacity of a territorial community takes into account its ability to ensure an adequate level of satisfaction of the needs of its members, the ability to solve the full range of its social and economic problems and depends both on the revenues accumulated directly in the community budget and on the cash flows to other entities (incoming cash flows in favor of business entities and households) in the community, which can potentially be used for various purposes of socio-economic development.

The term “capable territorial community” is defined in the Methodology for the Formation of Capable Territorial Communities, which was approved by the CMU on April 08, 2015 [14].

Capable territorial communities are “territorial communities of villages (towns, cities) that, as a result of voluntary amalgamation, are able to provide an adequate level of service provision, in particular in the field of education, culture, healthcare, social protection, housing and communal services, taking into account human resources, financial support and infrastructure development of the relevant administrative-territorial unit” [15].

Ensuring the financial solvency of a territorial community is crucial for improving the quality and accessibility of services provided to local residents, as well as for the development of local economy, infrastructure and the effective functioning of territorial communities.

To ensure the financial solvency of a territorial community, local governments have the opportunity to use a variety of financial instruments (Table 4.1).

Assessment of the financial capacity of territorial communities is necessary to determine the effectiveness of local governments in building their financial capacity.

One such diagnostic was proposed by the Center for Joint Action, which developed the Methodology for Measuring the Financial Capacity of Territorial Communities of Regional Centers of Ukraine (Methodology) for 2018–2021 (9 months) [16]. This Methodology analyzes the availability of financial resources for local governments to fulfill their powers, which allows assessing the level of efficiency of local governments in building their financial capacity.

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The Methodology is based on 10 indicators for determining the financial capacity of a territorial community:

1. Revenues of the general fund of the local budget per capita.

Table 4.1. Instruments for ensuring the financial capacity of territorial communities

Component	Toolkit	Advantages	Disadvantages
Budgetary	1. Taxes and fees 2. State targeted programs	1. Allows to quickly attract large funds on a city scale 2. Additional funding in the form of targeted transfers from the state budget, revenues from public-private partnerships or concessions, investments, loans, etc. 3. Cooperation of local communities	Exhaustibility of resources
Investment	1. Corporatization of public utilities 2. Impact compensation – compensation for the negative impact of external factors on the territory	1. Use in transition economies 2. Allocation of costs, risks and future profits between public and private partners	1. Motivation of private investors
Grant	1. International technical assistance 2. Endowment 3. Corporate social responsibility projects 4. Crowdfunding	1. Gratuitous and non-refundable basis	1. Geography of interests 2. Competitive basis 3. For economically developed countries
Credit	1. Local borrowings 2. Non-bonded loans 3. Local guarantees 4. Loans from international financial organizations	1. Local bonded loans 2. Different term of attraction 3. Preferential lending terms	1. Approval of the Ministry of Finance of Ukraine 2. Available only to urban TC 3. Provided on the terms of payment, maturity and property security 4. Restrictions on the intended use of funds

Source: Compiled by the author based on the source [17].

2. Expenditures of the general fund of the local budget per capita.
3. Local budget expenditures for the maintenance of the management apparatus per capita.
4. Capital expenditures of the local budget per capita.
5. Local budget tax capacity index.
6. Level of subsidization of the local budget.
7. The share of local budget expenditures for the maintenance of the management apparatus in the own financial resources of the CC.
8. Share of wages in the expenditures of the general fund of the local budget.
9. Share of capital expenditures from the local budget.

10. Share of local taxes and fees in the local budget.

Urban territorial communities (UTC) of regional centers are among the most capable communities in our country. This is influenced by many different factors: better business conditions, developed institutions, demographics, highly qualified personnel, and the largest financial resources, which are usually accumulated in the centers of oblasts.

That is, communities in regional centers have had higher financial capacity than other territorial communities since the beginning of amalgamation, as they had the appropriate base for this. But even the most capable communities vary greatly in terms of their financial capacity.

In accordance with the Methodology, let's consider the rating of financial capacity of the UTC of regional centers during 2018–2020 and 9 months of 2021 (Table 4.2).

This ranking is based on the total amount of points scored by the UTC in terms of financial capacity and the places they occupy each year. Thus, the higher an MTG is in the ranking, the higher its financial capacity. Revenues of the general fund of the local budget per capita – the indicator shows the ratio of revenues of the general fund of the local budget, excluding interbudgetary transfers, to the number of residents of the CT of the oblast center.

The indicator allows us to determine the ability of a local government to meet the needs of every resident of the community solely at the expense of the finances generated annually on its territory.

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The revenues of the general fund of the budgets of MTGs are growing every year. Compared to 2018, in 2020, revenues increased by an average of 1.3 times. This trend is also characteristic of 2021 (9 months) and by the end of 2021, the general fund revenues of most MTGs will exceed the figures of previous years. This is also confirmed by the calculation of revenues per capita. Thus, in 2018–2020, the highest revenues per capita were observed in Kyiv, Dnipro, Lviv, Uzhhorod, and Poltava city councils.

Kramatorsk, Sievierodonetsk, Kherson, Mykolaiv, and Chernivtsi UTC had the lowest rates.

Table 4.2. Rating of financial capacity of territorial communities of regional centers of Ukraine for 2018–2021*

Place in the ranking	2018	Place in the ranking	2019	Place in the ranking	2020	Place in the ranking	9 months 2021
High							
1.	Kyiv Dnipro	1.	Dnipro	1.	Dnipro	1.	Dnipro
2.	Lviv	2.	Kyiv	2.	Kyiv	2.	Kyiv
3.	Zaporizhzhia	3.	Lviv	3.	Vinnytsia	3.	Lviv
4.	Odesa	4.	Vinnytsia Zaporizhzhia	4.	Lviv Odesa	4.	Zaporizhzhia Odesa
5.	Vinnytsia	5.	Poltava	5.	Zaporizhzhia Poltava	5.	Vinnytsia Ternopil Kharkiv
Medium							
6.	Poltava	6.	Odesa Chernihiv	6.	Uzhhorod Kharkiv	6.	Poltava
7.	Ivano-Frankivsk	7.	Uzhhorod	7.	Zhytomyr Khmelnysk Cherkasy Chernihiv	7.	Cherkasy Chernihiv
8.	Chernihiv	8.	Ivano-Frankivsk Kharkiv	8.	Ivano-Frankivsk Kropyvnytskyi Lutsk Sumy	8.	Zhytomyr Ivano-Frankivsk Rivne Uzhhorod Khmelnitskyi
9.	Zhytomyr Rivne Uzhhorod Kharkiv Khmelnysk	9.	Khmelnysk	9.	Mykolaiv Rivne Ternopil Chernivtsi	9.	Kropyvnytskyi Sumy Chernivtsi
10.	Mykolaiv Sumy Ternopil	10.	Mykolaiv	10.	Kramatorsk Kherson	10.	Lutsk
Low							
11.	Kropyvnytskyi Cherkasy Chernivtsi	11.	Zhytomyr Kropyvnytskyi Rivne Ternopil Cherkasy	11.	Sievierodonetsk	11.	Kramatorsk Mykolaiv Sievierodonetsk
12.	Kramatorsk Lutsk Kherson	12.	Kherson Chernivtsi	12.		Kherson	
13.	Sievierodonetsk	13.	Lutsk Sumy				
		14.	Kramatorsk Sievierodonetsk				

*data for 9 months of 2021 [17].

Expenditures of the general fund of the local budget per capita – the indicator shows the ratio of expenditures of the general fund of the local budget to the number of residents of the regional center. It shows how much money the local authorities can spend annually per capita without the use of a special fund.

In 2020, the expenditures of the general fund of the local budget per capita of the territorial community in the general fund of the MTG of regional centers decreased by an average of 10% compared to 2018. This means that approaches to financing expenditures are changing. Thus, expenditures are used to finance something strategically necessary for the community, not just current expenditures. However, it is hard to imagine community life without current expenditures. These are funds that are used to pay for labor, utilities, food, pension supplements, etc. They are almost entirely financed from the general fund of the local budget. Thus, in 2018–2020, the residents of Kyiv, Uzhhorod, Dnipro, Lutsk, and Zhytomyr ATCs were the most well-funded with general fund expenditures. These communities mostly received maximum points for their performance. A radically different situation is observed in Sumy, Sievierodonetsk and Kramatorsk ATCs. Over the past 9 months, the best provision of expenditures per capita has been observed in Kyiv (UAH 9,839 per capita), Dniprovsk (UAH 8,109 per capita) and Lviv (UAH 7,130 per capita) ATCs. The lowest expenditures per capita are in Kramatorsk (UAH 4,305 per capita), Sievierodonetsk (UAH 4,474 per capita) and Sumy (UAH 4,576 per capita) ATCs.

Local budget expenditures on the maintenance of the administrative apparatus per capita – the indicator shows the ratio of expenditures on the maintenance of the administrative apparatus made at the expense of the general fund of the local budget to the number of residents of the COS.

Capital expenditures of the local budget per capita – the indicator shows the ratio of capital expenditures of the local budget to the number of residents of the COS. Capital expenditures are funds that develop the community: major road repairs, gasification of settlements, purchase of school buses and ambulances, etc. This indicator allows us to analyze how much money is spent on community development (development budget) per capita.

Since 2018, the average share of capital expenditures in the budgets of communities in regional centers has been 24.5%. In 2021, it increased by another 1% and amounted to 25.5%. That is, on average, one-fourth of all MTG funds go to the capital development of the community. However, the ATCs still differ from each other if you look at them more closely. In 2018–

2020, the largest percentage of funds for capital development was allocated by the city of Kyiv, Lviv, Dnipro, Kharkiv and Odesa city councils. But there were also communities that did not even come close to the average. These are, for example, Ternopil, Lutsk, Zhytomyr, Kherson, and Cherkasy ATCs. For 9 months of 2021, the largest share of capital expenditures in the budget was in Kharkiv (29.8%), Dnipro (25.3%) and Lviv (23.5%) ATCs, while the smallest share remained in Kherson (3.8%), Mykolaiv (7.4%), Poltava (9.2%) and Kropyvnytskyi (9.2%) ATCs.

Average capital expenditures per community resident remained almost unchanged in 2018–2020. While in 2018, the average amount of UAH 3,240 per resident of an ATC in the regional center was UAH 3,220 in the first 9 months of 2021. In 2018–2020, residents of Kyiv, Lviv, Dnipro, Vinnytsia, and Odesa ATCs were the most well-funded with capital expenditures. Instead, Ternopil, Kherson, and Zhytomyr ATCs received the lowest scores, as their residents were the least well off with capital expenditures. As of October 1, 2021, the highest capital expenditures per capita were in Dnipro (UAH 2,801 per capita), Kharkiv (UAH 2,517 per capita), and Kyiv (UAH 2,412 per capita), and the lowest were in Kherson (UAH 237 per capita), Mykolaiv (UAH 429 per capita), and Kropyvnytskyi (UAH 711 per capita) ATCs.

The local budget tax capacity index is a coefficient that indicates how tax-capable a local budget is compared to the same average indicator for all local budgets of territorial communities in Ukraine per capita.

The coefficient is determined based on information about the revenues from personal income tax to the community budget and the number of its population. It is a stable annual indicator calculated by the Ministry of Finance of Ukraine for each local budget. The index shows the level of horizontal equalization of the tax capacity of local budgets. It is used by the government to calculate the basic/reverse subsidy. That is, this index determines whether a community will redirect excess funds from its budget to the state budget (reverse subsidy) or vice versa – receive additional funds from the state budget (basic subsidy).

The higher the coefficient, the more capable the local COS budget is of generating tax revenues. The tax capacity of the budgets of COS in regional centers is one of the highest in the country. In 2018 – September 2021, they did not receive basic subsidies from the state, but rather redirected their surplus funds to the state budget. Only in isolated cases, some TCs in regional centers were beyond both subsidies: the tax capacity indices of their budgets ranged between 0.9 and 1.1. This money goes to less capable communities. However, there were exceptions to the general trend

among the MTG of regional centers. In 2020, Kherson and Kramatorsk ATCs did not send funds to the state budget and did not receive them in accordance with their indicators. Local budget revenues from personal income tax are affected, as they increase annually. Currently, this tax brings the largest revenues to communities. Thus, the best indicators of budget tax capacity in 2018 – September 2021 were observed in Dnipro, Uzhhorod, Poltava, Lviv, and Zaporizhzhia ATCs. The worst indicators among the communities of regional centers are in Kramatorsk, Chernivtsi, Kherson and Chernihiv ATCs.

The level of subsidization of the local budget – given the peculiarities of the capacity of the budgets of COS, it is worth focusing on the indicators of reverse subsidies. They allow us to determine the level of subsidization of the budgets of COS. Thus, this indicator shows the ratio of reverse subsidies to the revenues of the general fund of the local budget, excluding funds from intergovernmental transfers. That is, the share of funds that the most capable COS redirect to the State Budget.

The share of local budget expenditures on the maintenance of the management apparatus in the own financial resources of the COS – the indicator shows the ratio of expenditures on the maintenance of the management apparatus of the local self-government of the oblast center to the amount of revenues of the general fund of the local budget, excluding interbudgetary transfers from the State Budget. This is the share of all funds spent on the maintenance of local officials in the revenues of the local government that are annually accumulated in the community. This indicator allows us to answer the question of whether the CC management apparatus is maintained in accordance with the real financial capacities.

Share of salaries in the expenditures of the general fund of the local budget – the indicator shows the share of expenditures on salaries and wages with accruals from the general fund of the local budget in the expenditures of the general fund of the local budget, excluding intergovernmental transfers transferred from the TC budget to other budgets. It means what share of local funds is spent exclusively on salaries for employees of all community sectors that are fully or partially financed from the local budget: kindergarten teachers, mechanics or drivers of various utilities, janitors, handymen, etc. It is the responsibility of local authorities to create decent working conditions for these people. However, when salary costs account for almost the entire budget, there is no funding left for anything else. Residents of such communities do not receive decent living conditions: quality roads, comfortable public transport or warm schools for their

children. The task of local governments is to spend community funds efficiently and maintain a balance of these expenditures.

Expenditures on salaries are growing every year in the communities of regional centers. While in 2018, the amount of funds allocated by all MTGs to pay salaries was about UAH 40.4 billion, in 2020 it increased by 33% to UAH 53.8 billion. For the first 9 months of 2021, this amount is already UAH 49.6 billion. The average share of funds spent on wages is also growing in the general fund expenditures of the budgets of local governments. In 2018, it was 34.1%, and last year it increased by 13.6% to 47.8%.

The share of wage costs has also increased in the first 9 months of 2021: on average, it is 56% for one community. But the figure differs significantly depending on the ATC. For example, in 2018–2020, Dnipro, Vinnytsia, Kyiv, and Zaporizhzhia ATCs spent the least amount of their funds on salaries. But the largest amount of funds for salaries among other communities in regional centers was spent by Chernivtsi, Uzhhorod, Kherson, Sumy, and Ivano-Frankivsk ATCs. Over the past 9 months, the lowest salary expenditures were recorded in Dnipro (41.8%), Kharkiv (50.5%), and Ternopil (51%) ATCs, and the highest in Kherson (75.1%), Uzhhorod (75.1%), and Lutsk (74%) ATCs.

Share of capital expenditures from the local budget – the indicator shows the share of capital expenditures in the total expenditures of the general and special funds of the local budget of the CT. It allows us to understand how much of the total local budget is allocated for capital projects. The share of these funds in the local budget shows the ability of the local government to ensure the real socio-economic development of its community.

Share of local taxes and fees in the local budget – this indicator shows the share of funds from local taxes and fees in the revenues of the general fund of the CC budget (excluding intergovernmental transfers). This is the share of local taxes paid in the revenues generated annually in the community. First, this indicator can be used to analyze the extent to which a local government is financially autonomous from the central government and dependent on local residents – local taxpayers. Second, the share of local taxes and fees in the local budget demonstrates the development of business in the community.

Local taxes and fees are extremely important for communities. They are one of the main indicators of strengthening local budgets and expanding the financial autonomy of local governments.

In general, the role of local taxes is gradually increasing in the revenues of the budgets of MTG. Compared to 2018, revenues from local taxes in 2021 increased by 25% on average. During 2018–2020, their average share in the revenues of the general fund of the budgets of the MTG was consistently more than 29%. As of October 1, 2021, this share has already reached 30.5%. That is, on average, one third of the revenues of the general fund of the budgets of MTG are local taxes. From year to year, local taxes have the greatest impact on the budgets of Kharkiv, Dnipro, Kyiv, Odesa, Lviv, and Cherkasy city councils. The least amount of money from these taxes goes to the budgets of Sievierodonetsk, Kramatorsk, Kropyvnytskyi, Kherson and Lutsk city councils.

In 9 months of 2021, local taxes contributed the most to the local budgets of Kharkiv (37.6%), Dnipro (35%) and Lviv (31.4%) ATCs, and the least to the budgets of Kramatorsk (19.2%), Vinnytsia (20.8%) and Sumy (22%) ATCs.

The results of the assessment of the financial capacity of the MTG of regional centers:

- The revenues of the general fund of the budgets of the MTG are growing every year. Compared to 2018, revenues increased by an average of 1.3 times in 9 months of 2021.

- The tax capacity of the budgets of the communities of regional centers is one of the highest in the country. Since 2018, they have not received subsidies from the state. Instead, the ATCs of the regional centers redirected their surplus funds to the state budget. Such funds are allocated to less capable communities. Despite this, in 2020, Kherson and Kramatorsk did not send funds to the state budget and did not receive them according to their indicators. The same is true in 2021, but in Kherson and Chernivtsi ATCs;

- From 2018 to October 1, 2021, the budgets of the MTGs of regional centers have been increasing expenditures for the maintenance of management apparatuses. On average, such expenditures in one community increased by almost 1.5 times: from UAH 248.4 million in 2018 to UAH 360.7 million in 2020. In 2021, expenditures are growing again, as in the first 9 months of 2021, one community allocates UAH 293.8 million for the administration. This is mainly due to the consolidation of local governments after the amalgamation of communities and the delegation of administrative service delivery powers;

- the role of local taxes is gradually increasing in the revenues of the budgets of MTG. Compared to 2018, in the first 9 months of 2021, local tax revenues increased by 25% on average. During 2018–2020, their average

share in the revenues of the general fund of the budgets of the MTG was consistently more than 29%. As of October 1, 2021, this share has already reached 30.5%. That is, on average, one third of the revenues of the general fund of the budgets of MTG are funds from local taxes;

– funds that are used directly for development (capital expenditures) are very significant for the MTG of oblast centers in the context of the whole country. Since 2018, the average share of capital expenditures in the budgets of communities of regional centers has been 24.5%. In 9 months of 2021, it increased by another 1% and amounted to 25.5%. That is, on average, a quarter of all MTG funds go to the capital development of the community.

In the Draft Methodological Recommendations for Assessing the Level of Financial Capacity of Territorial Communities, prepared by specialists and experts of the Directorate for the Development of Local Self-Government, Territorial Organization of Power and Administrative and Territorial Structure of the Ministry of Development of Communities and Territories of Ukraine, the U-LEAD with Europe Program, the Swedish-Ukrainian Project “Support to Decentralization in Ukraine”, the All-Ukrainian Association of Local Governments “All-Ukrainian Association of Communities”, the author proposes to assess the level of financial capacity of territorial communities on the basis of the index of development of the territorial community potential [18]. It is carried out with the aim of identifying potentially possible areas of development and growth of the territorial community’s potential, improving the well-being of residents by using internal and external financial and economic capabilities of territorial communities.

For this purpose, a list of indicators was determined by the following principles:

– visibility (the most important indicators that affect the level of community capacity and reflect the general state of the community are included)

– reliability;

– availability (official indicators in the form of open data are used);

– effectiveness assessment (assessment based on long-term perspectives).

These Methodological Recommendations contain an algorithm for calculating the integral index of territorial community potential development. This algorithm provides for the calculation of eight indicators of territorial development:

1) general fund revenues per capita (the ratio of general fund revenues excluding transfers to the number of residents of the respective community,

in UAH). The indicator determines the amount of general fund revenues per capita;

2) the share of expenditures for the maintenance of the apparatus of the territorial community council and its executive bodies in the budget of the territorial community (the ratio of expenditures for the maintenance of the apparatus of the territorial community council and its executive bodies to the amount of general fund revenues excluding transfers, in percentage terms). The indicator allows us to review excessive expenditures on the maintenance and functioning of local self-government bodies;

3) capital expenditures per capita (the ratio of the amount of capital expenditures of the territorial community budget to the number of residents of the respective territorial community, in UAH). The indicator determines the amount of funds per 1 resident of the community that are allocated for the purchase of equipment and long-term use items, including land resources, intangible assets, capital investments, capital repairs, etc. The indicator reflects the amount of funds spent on the development of the territorial community;

4) the level of subsidization of the territorial community budget (the ratio of the amount of basic or reverse subsidy to the total amount of revenues of the general fund of the territorial community budget with subsidies, but excluding subventions from the state budget, in percentage terms). The indicator reflects the level of dependence of a territorial community on subsidized resources from the state budget;

5) the share of wages in the expenditures of the general fund of the territorial community budget (percentage of expenditures on wages and salaries with accruals from the general fund of the budget in the amount of expenditures of the general fund of the budget without transfers transferred from the territorial community budget to other budgets, in percent). The indicator demonstrates the level of flexibility in the structure of local community expenditures, the ability of the local community to redistribute and allocate funds for development and other purposes;

6) expenditures on culture, physical culture and sports per capita (the ratio of general fund expenditures on culture, physical culture and sports to the number of residents of the respective territorial community, in UAH). The indicator characterizes the balance of the development of the territorial community, in particular, the amount of funds allocated for the development of the spiritual and physical needs of residents as components of the harmonious development of the territorial community;

7) the share of territorial community revenues from transfers from the state budget (the ratio of transfers from the state budget to the revenues of

the general and special funds of the territorial community budget, in percent). The indicator characterizes the level of dependence of the territorial community on transfers from the state budget and determines the ability of the community to fulfill its expenditure powers by using its own funds, its independence from other sources;

8) the share of local taxes and fees in the revenues of the general fund of the territorial community budget (the ratio of local taxes and fees to the revenues of the general fund (without transfers) of the territorial community budget, in percent). The indicator allows to review the amount of filling the budget of the territorial community at the expense of local taxes and fees.

In the course of the reform of local self-government and administrative-territorial structure (during 2014–2021), the Methodology for the Formation of Capable Territorial Communities (hereinafter – the Methodology) was developed [14]. It was necessary for the formation of amalgamated territorial communities and assessment of their capacity. Thus, the developed Methodology for the Formation of Capable Territorial Communities is necessary to determine the potential of a territorial community to fulfill the powers of local self-government bodies in a quality manner.

The methodology defined the procedure for developing a perspective plan for the formation of community territories of the Autonomous Republic of Crimea, the regions and conditions for the formation of project-capable territorial communities. It also regulated the requirements for the formation of territorial communities, which had to have the institutional and financial capacity to address public issues within their competence. Criteria for assessing the level of capacity according to the Methodology:

- the number of people permanently residing on the territory of the territorial community;
- number of students receiving education in general secondary education institutions located on the territory of the territorial community;
- the area of the territory of the territorial community;
- tax capacity index of the territorial community budget;
- the share of local taxes and fees in the budget revenues of the territorial community.

According to the established evaluation criteria, the level of capacity of a territorial community was determined – low, medium, high. These evaluation criteria were evidence that it was impossible to ensure that all territorial communities throughout Ukraine met all the criteria if they were formulated unambiguously and categorically.

Of course, these criteria were unified and could not fully take into account the peculiarities of each administrative-territorial unit, but the main task of the Methodology was to form capable territorial communities based on common approaches. This was possible if the score for one criterion was low, but the score for others was high.

The estimated level of capacity of territorial communities according to the Government's Methodology is determined based on the sum of the numerical values of the criteria for assessing the level of capacity and is as follows

- low level of capacity: From 1.5 to 2.1;
- medium level of capacity: From 2.2 to 3.8;
- high level of capacity: From 3.9 to 5. of taxes and fees in the budget revenues of the territorial community.

Of the 1438 territorial communities in Ukraine in 2021, according to this methodology, 1 TC is low-capacity, 743 TC are medium-capacity, and 694 TC are high-capacity (Figure 4.1).

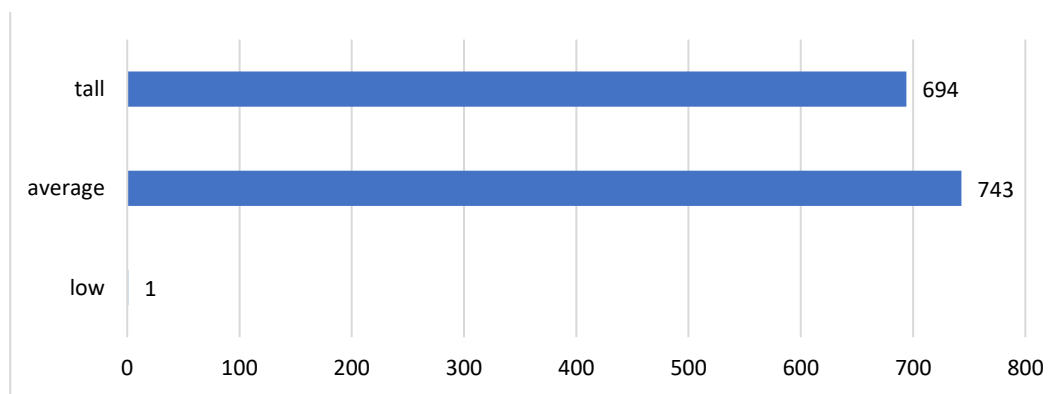


Figure 4.1. Number of territorial communities by levels of financial capacity in 2021 [19]

It should be noted that the conditions and criteria for the formation of territorial communities at the stage of their creation (i.e., amalgamation) have become an important element in the formation of capable local governments, which should ensure that all issues related to the creation and maintenance of a comfortable living environment for their residents are addressed in the respective territory.

However, another, no less (and perhaps more) important issue is the ability of local governments to ensure the proper exercise of their powers in the medium and long term.

Therefore, in the course of the reform, various approaches have been developed to assess the level of capacity of already established territorial communities. One such development was the Methodological

Recommendations for Assessing the Financial Capacity of Territorial Communities [18], (hereinafter – the Guidelines). However, these methodological recommendations have not been officially adopted.

The Methodological Recommendations propose the division of communities according to the defined value of the integral indicator, which is calculated as the arithmetic mean of all indicators. In accordance with the defined value of the integral indicator, the level of development of the territorial community's potential is defined as

- high is the value of the indicator is greater than 1.3;
- optimal is the value of the indicator is in the range from 1.15 to 1.3;
- satisfactory is the value of the indicator is in the range from 0.85 to 1.15;
- moderate is the value of the indicator ranges from 0.7 to 0.85;
- low is the value of the indicator is in the range from 0.55 to 0.7;
- critical is the value of the indicator is less than 0.55 (Figure 4.2).

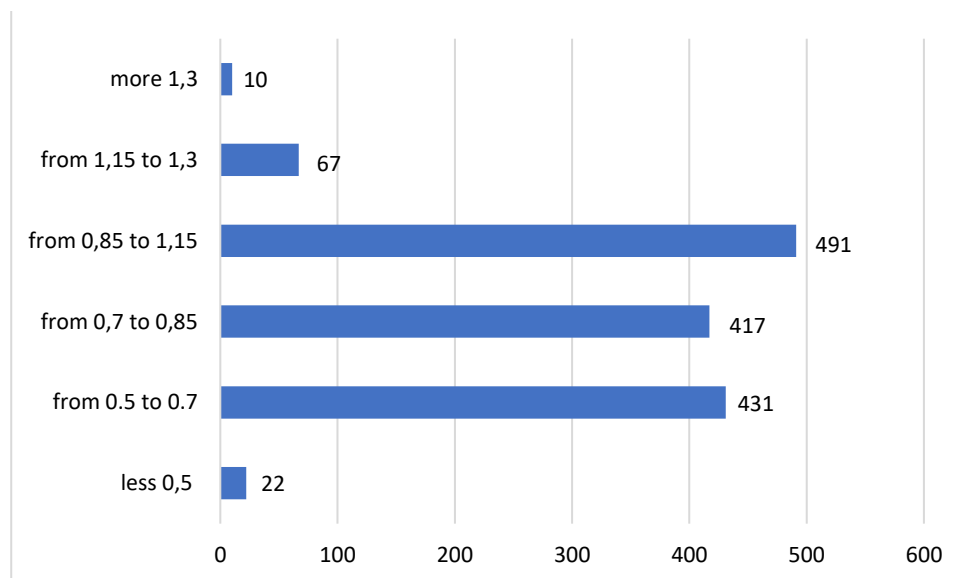


Figure 4.2. Number of territorial communities according to the determined value of the integral indicator [19]

To determine the objectivity of the performance indicators and the sufficiency of the selected evaluation criteria (points) established by the Government Methodology and proposed by the Methodological Recommendations, the experts conducted a comparative analysis of these methods.

According to the Government Methodology, only one territorial community had a low level of capacity in 2021. At the same time, according to the results of the Methodological Recommendations, 22 territorial communities had a critical level of community capacity development (while

having high and medium levels according to the Government Methodology).

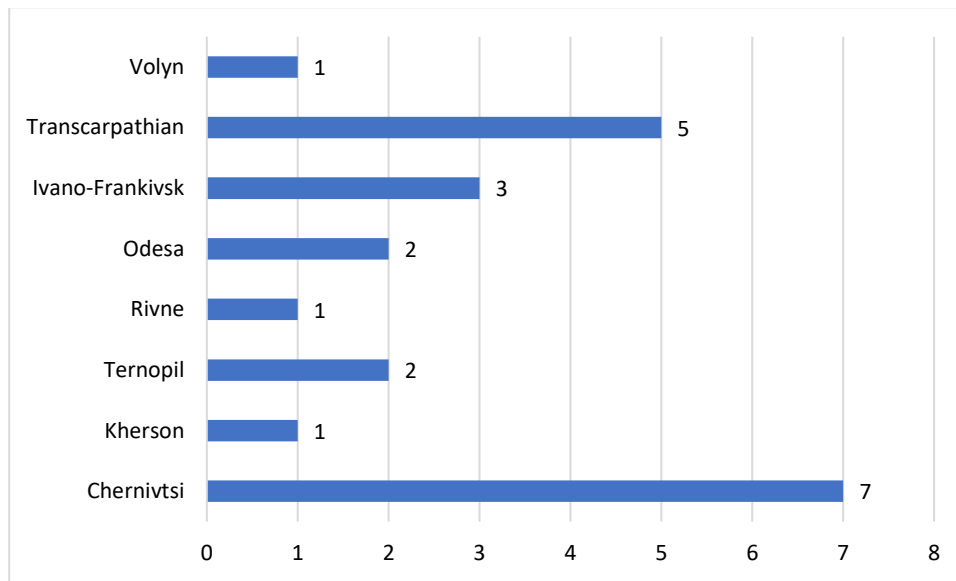


Figure 4.3. Number of territorial communities with a critical level of capacity by region (according to the Methodological Recommendations) [19]

In addition, 124 territorial communities that had a high level of territorial community capacity according to the Government’s Methodology simultaneously had diametrically opposite results according to the criteria calculated according to the Methodological Recommendations and had a low level of development of territorial community potential:

Based on the results of a study on the comparative analysis of two methods for determining the level of capacity of territorial communities, we will analyze two methods for determining the level of capacity of territorial communities in the central regions of Ukraine based on the results of 2021.

In general, in Vinnytsia Oblast, according to the results of the assessment of the criteria by the Government Methodology, most communities (almost 56%) had a high level of capacity, while according to the assessment criteria by the Methodological Recommendations, none had a high level, and 12 communities had a low level, which was 19% of their total number.

Of the 12 communities that had a low level of community capacity development (according to the Methodological Recommendations), 9 had an average level according to the Government’s Methodology, while 3 had a high level, which indicates a significant gap between the assessment of the capacity of these 3 communities by different methods: Shpykivska settlement ATC; Chechelnytska settlement ATC; Dzhulynska village ATC.

Table 4.3. Distribution of territorial communities in Vinnytsiia Oblast according to the Government Methodology and the Methodological Recommendations

Government's methodology	Number of TC	%	Methodological recommendations	Number of TC	%
high	35	55.6	high	0	–
medium	28	44.4	optimal	2	3.2
low	0	–	satisfactory	19	30.2
			moderate	30	47.6
			low	12	19.0
			critical	0	–

Of the 12 communities that had a low level of community capacity development (according to the Methodological Recommendations), 9 had an average level according to the Government's Methodology, while 3 had a high level, which indicates a significant gap between the assessment of the capacity of these 3 communities by different methods: Shpykivska settlement ATC; Chechelnytska settlement ATC; Dzhulynska village ATC.

For example, for the Shpykivska settlement ATC, the high level of capacity of the territorial community according to the Government's methodology in 2021 was 4.2 and was obtained by summing the criteria:

- population – 16.1 thousand people (numerical value of criterion 1);
- number of students – 1,479 people (numerical value of criterion 1);
- Territorial community area – 479.7 km² (numerical value of criterion 1);
- tax capacity index – index 0.5 (the numerical value of the criterion is 0.6);
- the share of local taxes and fees in the budget revenues of a capable territorial community is 38.3% (the numerical value of the criterion is 0.6).

At the same time, according to the Methodological Recommendations, the level of capacity of the Shpykivka settlement TC is low and looks like this: 4 indicators have a low level, 3 – moderate and 1 – optimal.

The following indicators have a low level:

- general fund revenues per capita – UAH 3229, which is almost 50% less than the average for Ukraine;
- the share of expenditures on the maintenance of the council apparatus and its executive bodies in the budget of the territorial community, without transfers, is 26.9%, which is almost 80% higher than the average in Ukraine;
- capital expenditures per capita – UAH 519, which is almost 70% less than the average in Ukraine;

– the share of community revenues from transfers from the state budget – 55.3%, which is 83% higher than the average in Ukraine.

The following indicators have a moderate level:

– level of subsidization of the territorial community budget – 24.3%;

– The share of wages in the expenditures of the general fund of the community budget is 85.8%, which is 28% higher than the average in Ukraine;

– expenditures on culture, physical culture and sports per capita – UAH 207, which is almost 50% less than the average in Ukraine.

The optimal level is reached by the following indicator: the share of local taxes and fees in the revenue part of the general fund of the community budget, without transfers – 38.3%, which is 28% higher than the average in Ukraine.

According to the results of the assessment of the criteria according to the Government’s Methodology, the majority of territorial communities in the Kyiv region, namely 49 (or 71%), had a high level of capacity, while according to the assessment criteria according to the Methodological Recommendations – only 5 (7.2%), and 4 communities had a low level.

Table 4.4. Distribution of territorial communities of Kyiv region according to the Government’s Methodology and Methodological Recommendations

Government’s methodology	Number of TC	%	Methodological recommendations	Number of TC	%
high	49	71	high	5	7.2
medium	20	29	optimal	14	20.3
low	0	–	satisfactory	38	55.1
			moderate	8	11.6
			low	4	5.8
			critical	0	–

Of the 4 communities that had a low level of community capacity development (according to the Methodological Recommendations), 1 had an average level according to the Government’s Methodology, and 3 had a high level, which indicates a significant gap between the assessment of the capacity of these 3 communities by different methods: Kozhanska settlement; Poliska settlement; Kotsiubynska settlement.

For example, in Kozhanska settlement ATC, the high level of capacity of the territorial community according to the Government’s methodology in 2021 was 4.2 and was obtained by summing the criteria:

– population – 8.1 thousand people (numerical value of criterion 1);

- number of students – 741 people (numerical value of criterion 1);
- the area of the territorial community is 335.1 km² (numerical value of criterion 1);
- tax capacity index – index 0.6 (numerical value of the criterion is 0.6);
- the share of local taxes and fees in the budget revenues of a capable territorial community is 45.4% (the numerical value of the criterion is 0.6).

The share of expenditures on the maintenance of the council apparatus and its executive bodies in the budget of the territorial community, without transfers, is 37.1%, which is almost 2.5 times higher than the average indicator in Ukraine.

The following indicators have a low level:

- Expenditures on culture, physical culture and sports per capita – UAH 205, which is almost 52% less than the average in Ukraine;
- the share of community revenues from transfers from the state budget is 47.1%, which is 56% higher than the average in Ukraine.

The following indicators have a moderate level:

- general fund revenues per capita – UAH 4195, which is 38% less than the average in Ukraine
- capital expenditures per capita amount to UAH 1005, which is 41% less than the average for Ukraine;
- the level of subsidization of the territorial community budget is 15.4%;
- the share of wages in the expenditures of the general fund of the community budget is 82.1%, which is almost 23% higher than the average in Ukraine.

The share of local taxes and fees in the revenue part of the general fund of the community budget, without transfers, is high – 45.4%, which is 1.5 times higher than the average for Ukraine.

According to the results of the assessment of the criteria according to the Government's Methodology, most of the territorial communities in Kirovohrad Oblast (65%) had a high level of capacity, while according to the assessment criteria according to the Methodological Recommendations, none had a high level of capacity, and 4 communities had a low level.

Of the 4 communities that had a low level of community capacity development (according to the Methodological Recommendations), 2 had an average level according to the Government's Methodology, and 2 had a high level, which indicates a significant gap between the assessment of these communities' capacity by different methods: Zavallivska settlement; Ketrysynivka village.

Table 4.5. Distribution of territorial communities in Kirovohrad oblast according to the Government Methodology and the Methodological Recommendations

Government's methodology	Number of TC	%	Methodological recommendations	Number of TC	%
high	32	65.3	high	0	–
medium	17	34.7	optimal	1	2.0
low	0	–	satisfactory	26	53.1
			moderate	18	36.7
			low	4	8.2
			critical	0	–

For example, for Ketrysynivka rural ATC, the high level of capacity of the territorial community according to the Government's methodology in 2021 was 4.6 and was obtained by summing the criteria:

- population – 13 thousand people (numerical value of criterion 1);
- number of students – 1301 people (numerical value of criterion 1);
- area of the territorial community – 1301.1 km² (numerical value of criterion 1);
- tax capacity index – index 0.6 (numerical value of criterion 0.6);

- share of local taxes and fees in the budget revenues of a capable territorial community – 55.5% (numerical value of criterion 1).

At the same time, according to the Methodological Recommendations, the level of capacity of Ketrysynivka rural ATC is low and looks like this: – 1 indicator has a critical level, 2 indicators have a low level, 2 – moderate and 3 – satisfactory. The indicator has a critical level:

The critical level is achieved by the indicator – the share of expenditures on the maintenance of the council apparatus and its executive bodies in the budget of the territorial community, without transfers – 36%, which is 2.4 times higher than the average indicator in Ukraine.

The following indicators have a low level:

- capital expenditures per capita – UAH 813, which is 53% less than the average in Ukraine

- the share of local taxes and fees in the revenue side of the general fund of the community budget, without transfers – 55.5%, which is 1.9 times higher than the average in Ukraine.

The following indicators have a moderate level:

- The share of community revenues from transfers from the state budget is 44.6%, which is 47% higher than the average for Ukraine;

– the share of wages in the expenditures of the general fund of the community budget is 80.5%, which is 20% higher than the average for Ukraine.

The indicator has a satisfactory level:

– Expenditures on culture, physical culture and sports per capita – UAH 464, which is almost 10% higher than the average in Ukraine;

– general fund revenues per capita amount to UAH 5,989, which is 11% less than the average for Ukraine;

– the level of subsidization of the territorial community budget is 9.7%.

According to the results of the assessment of the criteria according to the Government’s Methodology, a significant number of territorial communities in Cherkasy Oblast (36%) had a high level of capacity, while according to the assessment criteria according to the Methodological Recommendations, none had a high level of capacity, and 7 communities had a low level.

Table 4.6. Distribution of territorial communities in Cherkasy Oblast according to the Government Methodology and the Methodological Recommendations

Government’s methodology	Number of TC	%	Methodological recommendations	Number of TC	%
high	24	36.4	high	0	–
medium	42	64.6	optimal	2	3.0
low	0	–	satisfactory	34	51.5
			moderate	23	34.8
			low	7	10.6
			critical	0	–

Of the 7 communities that had a low level of community capacity development (according to the Methodological Recommendations), 6 had an average level according to the Government Methodology, and 1 (Moshnivska rural) had a high level, which indicates a significant gap between the assessment of this community’s capacity by different methods.

For example, in Moshnivska rural ATC, the high level of capacity of the territorial community according to the Government’s Methodology in 2021 was 4.2 and was obtained by summing the criteria:

– population – 14.8 thousand people (numerical value of criterion 1);

– number of students – 1162 people (numerical value of criterion 1);

– Territorial community area – 456.7 km² (numerical value of criterion 1);

- Tax capacity index – index 0.4 (numerical value of criterion 0.6);
- the share of local taxes and fees in the budget revenues of a capable territorial community is 35.3% (the numerical value of the criterion is 0.6).

At the same time, according to the Methodological Recommendations, the level of capacity of the Moshnivska rural ATC is low and looks like this: 1 indicator has a critical level, 2 indicators have a low level, 4 – moderate and 1 – optimal.

The following indicators have a critical level: – the share of expenditures on the maintenance of the council apparatus and its executive bodies in the budget of the territorial community, without transfers – 28%, which is 1.9 times higher than the average in Ukraine.

The following indicators have a low level:

- the share of community revenues from transfers from the state budget – 50.5%, which is almost 1.7 times higher than the average for Ukraine

- capital expenditures per capita – UAH 572, which is 67% less than the average in Ukraine.

The indicator has a moderate level:

- general fund revenues per capita of UAH 3,636, which is 46% less than the average for Ukraine;

- the level of subsidization of the territorial community budget is 24.9%;

- expenditures on culture, physical culture and sports per capita – UAH 285, which is 33% less than the average in Ukraine;

- the share of wages in the expenditures of the general fund of the community budget is 80%, which is almost 20% higher than the average in Ukraine.

The share of local taxes and fees in the revenues of the general fund of the community budget, excluding transfers, is at an optimal level, at 35.3%, which is 18% higher than the average for Ukraine.

Community capacity is defined as the ability to ensure an adequate level of service provision, in particular in the areas of education, culture, healthcare, social protection, housing and communal services, taking into account human resources, financial support and infrastructure development of the relevant administrative-territorial unit (paragraph 2 of the Government Methodology).

The Government's Methodology defines demographic and socio-economic indicators in assessing the capacity of territorial communities, while the Methodological Recommendations are presented only with financial indicators of community budgets. Therefore, their comparison may

not be entirely relevant, however, financial capacity is one of the biggest challenges faced by territorial communities in providing municipal services and infrastructure development.

Other sensitive issues include the population of the community and its area. The Government's methodology for calculating points (determining the numerical indicator of the criterion) provides for the division of communities into 3 groups: up to 3 thousand people; from 3 to 7 thousand people; more than 7 thousand people. This was essential for the formation of communities, but after that it partially loses its meaning in a comparative study. As for the size of the community's territory, a large territory does not always correlate with significant economic potential and increased opportunities for community development. In addition, the larger the geographical area, the more difficult and resource-intensive it is to provide high-quality services, and there is a risk of complicating access to services for residents of settlements far from the community center.

Thus, capacity is a matter of matching resources with the scope of powers vested in local governments in proportion to the territory covered.

At the same time, the Government's Methodology and the Methodological Recommendations for Assessing the Level of Financial Capacity of Territorial Communities have similar financial indicators. These are the tax capacity index (level of subsidization) and the share of local taxes and fees in the budget revenues of a capable territorial community.

As is well known, the tax capacity index is calculated only using the personal income tax revenues. However, tax revenues of local budgets also include other revenues, which, in some local budgets, account for a significant portion. At the same time, such national payments are not taken into account in the horizontal equalization, i.e. in the calculation of the basic and reverse grants. In particular, such revenues include rent payments for the use of resources of national importance, part of the excise tax on fuel produced and imported into the territory of Ukraine, etc.

Based on the results of the study, the experts formulated the following conclusions and proposals:

– analysis of the results of indicators of 1438 territorial communities for 2021 in accordance with the existing Government Methodology (Methodology for the Formation of Capable Territorial Communities) and the Methodological Recommendations for Assessing the Level of Financial Capability of Territorial Communities shows that in many cases, assessments of community capacity do not coincide, and in some cases are diametrically opposed;

– the use of indicators defined in the Government’s Methodology is an overly simplified and minimalist approach to assessing the capacity of a territorial community. Such an approach was generally acceptable for use at the final stage of the formation of territorial communities in the process of completing their administrative amalgamation, but is not sufficiently informative in the current environment;

– the indicators proposed in the Methodological Recommendations for assessing the level of financial capacity of territorial communities also cannot serve as a sufficient tool for assessing communities, as they characterize only the financial component of capacity and do not cover the economic, demographic, geographical components, availability of infrastructure and many other issues of community existence;

– to comprehensively assess the capacity of communities, it is necessary to apply a new, more sophisticated and detailed approach to the formation of indicators and criteria for assessing the capacity of territorial communities;

– for a more comprehensive analysis of the functioning of territorial communities and the quality of their functional powers, a national unified system of indicators should be formed that would take into account both the resource potential and the intangible component of territorial communities;

– in the context of a permanent decline in the number of residents in rural areas and small towns, concentration of goods, services, labor, knowledge, and financial resources in large cities, approaches should be developed to guarantee the provision of basic public services throughout the country for residents regardless of their location.

Thus, there are grounds to state that the indicators defined in the Government’s Methodology were crucial at the stage of formation of territorial communities, but are insufficient in the current conditions. The Government’s Methodology does not define criteria for assessing the further functioning of communities, namely, how effectively and fully they are able to ensure the fulfillment of their powers, and the Methodological Recommendations have not acquired the status of an official document and also need to be improved.

In our opinion, the assessment of the financial capacity of a territorial community: high (best), medium (sufficient), low (worst) should be analyzed according to 6 levels of financial capacity: high, optimal, satisfactory, moderate, low, and critical.

The methodology for assessing the capacity of territorial communities will allow for

- analyze and adjust (if necessary) the administrative and territorial structure to take into account new challenges;
- assessing the effectiveness of the functioning of territorial communities and analyzing their ability to ensure the fulfillment of their powers;
- formulation of the state policy on the functioning of local self-government (amendments to the scope of powers and sources of funding);
- formulation of the state regional policy.

Conclusions. By building their financial capacity through the use of various sources of financial resources, territorial communities will have real opportunities to properly fulfill their own and delegated powers and address the task of socio-economic development of a particular territory.

Assessment of the level of financial capacity of territorial communities is necessary to determine the level of potential and ability of territorial communities to maintain high-quality public services to the population and to satisfy the interests of residents in the areas of life in the respective territory. The analysis of the financial capacity of territorial communities will ensure that management decisions are made to find ways to strengthen their material basis, ensure the balance and sustainability of the financial system of local self-government, in particular in the provision of public services.

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Chapter V
USING THE MYKOLAIV REGION'S TOURISM POTENTIAL
FOR THE FINANCIAL DEVELOPMENT OF LOCAL
COMMUNITIES

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Introduction. Cultural heritage is an important resource for tourism, local and regional development. Tourism contributes to the economic development of regions with significant natural, historical and cultural potential. The tourism industry also increases sales in tourism-related

industries (for example, trade, construction, hotels, transport, food, etc.), and the region's economy receives additional income. Tourism also has a positive impact on the preservation and development of the cultural heritage of mankind and mutual understanding among citizens.

Mykolaiv region has significant tourism potential, in particular, well-known resorts: Koblevo, Ochakiv, Lugove, Rybakivka, Morske, Pokrovka, Kinburn Spit. In addition, the region has one of the largest number of archaeological monuments in Ukraine – more than 4,000 (mounds, burial grounds, settlements, hillforts). Among them are monuments of world significance – Olbia, Berezan, Anetivka, Dykyi Sad and others. However, the existing tourism potential is not used enough, while the activation of tourism development in the region will contribute to strengthening the financial condition of both the Mykolaiv region and local communities, in particular. Promising directions of the region's tourism industry are archeological, ecological, rural, green, historical and cultural, and leisure tourism.

Studying the tourism potential of the region in order to intensify its use to improve the socio-economic situation of the territory through revenues from tourism activities is an extremely urgent task.

Literature review. For territorial communities, cultural heritage research is an important aspect of the development of society in general and tourism activities in particular. Thus, Harrison Lynn notes the following potential benefits from the use of cultural heritage in tourism at the local level: the creation of new jobs, the creation of new enterprises and the development of new types of business, increased tax revenues, diversification of the local economy, the creation of opportunities for partnerships in various fields and industries, attracting visitors, perpetuating local traditions and culture, attracting investment in cultural resources, a sense of pride in one's heritage and the importance of one's homeland, inflow of foreign exchange, diversification and strengthening of the economy, growth of gross domestic product, improvement of the balance of payments, reduction of unemployment, promotion of trade, stimulation investments in other sectors of the economy, an incentive to improve infrastructure, redistribute income, and reduce poverty [1].

Tourism ensures the rational use and conservation of all types of tourism resources of a certain territory, has a positive impact on the development of society, and also plays an important role in the economy of the country and its regions [2].

The tourism potential of a territory includes natural, cultural, historical, socio-economic and other prerequisites of a certain territory. Each potential territory for tourism development has its own characteristics, differences in tourism resources, infrastructure, economic development, mentality of the population, demographic and migration processes [3]. The presence of tourism resources in the region contributes to the development of tourism.

Each country's cultural heritage is linked to the history of the ethnic communities living or living within its territory. World practice shows that special measures are necessary to preserve the identity of the historical and cultural heritage of national minorities [4]. There is a significant increase in ethnic consciousness, preservation and development of cultural traditions [5]. In particular, Yu. Kotlyar studied the development of national minorities in the southern part of Ukraine, where about 50 nationalities lived [6]. National minorities left their historical and cultural sites, mainly German and Jewish. However, they are mostly in an abandoned state, little known and in need of preservation and popularization.

The development of tourism in the Mykolaiv region is uneven. It is predominantly concentrated in coastal areas and urban areas. The recreational potential of villages where unique tourism resources have been preserved should be used [7]. Among the problematic issues in the development of the tourism industry in the Mykolaiv region there is, in particular, the unsatisfactory condition of monuments of historical and architectural heritage that can be used in the tourism sector, the destruction of archaeological monuments, etc.

Results. We analyze tourism potential of the administrative districts of the Mykolaiv region.

Tourism objects of the Bashtanka district

Within the Bashtanka district, most of the tourism objects are of natural origin and can be used for ecological tourism, in particular, two regional landscape parks, two protected natural areas, 20 local reserves, a natural monument of national importance (Stepok), 11 natural monuments of local importance and one park-monument of landscape gardening art.

Bashtanka district has many attractive architectural objects. Archaeological objects that occupy a significant place in the Bashtanka district are represented by: a Late Paleolithic settlement in the vicinity of the village of Svitlytske; mounds with burials of the Neolithic, Bronze and Scythian times in the villages of Sofiyivka, Antonivka, Pryvilne, Rozanivka,

Skobelev, Khrystoforivka; burial mound (3rd millennium BC – 1st millennium) in the village of Kostiantynivka; a Mesolithic site (9th – 7th millennium BC) in the village of Lukyanivka; the archaeological settlement of Novorozanivka-2, which is a settlement of the Neolithic Bug-Dnister culture, also Novorozanivka mound, located near the village and one of the three found hillforts of the Chernyakhiv culture, as well as a burial ground near the village of Oleksandrivka.

Bashtanka district has a fairly diverse heritage of national minorities: Jewish – a synagogue in the village of Berezneguvate (1910) and several rebuilt shops, a school and an abandoned cemetery in the village of Plushchivka (until 1945 – Efyngar, a former Jewish agricultural colony, prototype of glorious kibbutz); German – building of the former German kirha in the village of Vynogradivka (the former German colony of New Danzig), as well as the Lutheran kirha, a cemetery in an abandoned state and the residential building of a servant of the Lutheran kirha (late 19th century) in the village of Shlyakhove (Neu-Karlsruhe); Polish – the current Chapel of the Immaculate Conception of the Blessed Virgin Mary, built by the Poles in the village of Kyselivka.

The objects of the sacred heritage of the district are the functioning temples, built in the 19th century. in the villages of Vasylivka, Galaganivka (Church of St. Nicholas (summer), 1888), Dobre, Ingulka, Maryivka, Novosevastopol (Church of St. Nicholas the Wonderworker 1895), the city of Snigurivka.

There are many museums on the territory of the Bashtanka district: the Bashtanka Museum of Local Lore, the Berezneguvate District Folk Museum of Local History, the Kazanka Historical Museum, the Museum of the History of the Village of Katerynivka, the Novyi Bug Historical Museum, the Snigurivka Museum of Local History, as well as the Museum of History and Art and the room in honor of of M. Arkas in the village of Khrystoforivka [8].

From the point of view of history, interesting objects are the old well in the village of Maksymivka and the Memorial Complex “Virchyna Balka” in the city of Novyi Bug, as well as the ancient Cossack cemeteries in the village of Ingulka and the city of Novyi Bug.

Tourism objects of the Voznesensk district

The architectural objects of tourism attraction in the Voznesensk district include: the royal rotunda in the city of Voznesensk – a spherical gazebo with eight columns (a monument of national importance); the

current administration office of the Voznesensk forestry (the structure was built in 1837) in the city of Voznesensk; the estate of the noble family of Erdeli, built in the 19th century in the village of Mostove; manor built in the 19th century by landowner Shyshkin in the town of Domanivka; manor of Skarzhynsky in the village of Trykraty (the estate also includes a park, today it is the state reserve tract “Trykraty Forest”); German manor estate in 1902 in the village of Petropavlivka (now it is the Church of the Holy Apostles Peter and Paul; the palace of the German landowners Oksner in the town of Timiriazevka; fortress in the village of Kremenivka.

Voznesensk district has a large number of archaeological sites of national importance: the Mesolithic site in the town of Oleksandrivka; mound of the 3rd millennium BC – 1st millennium in the village of Ludmylivka; late Paleolithic site in the village of Ukrayinets; hillfort of the Cherniakhiv culture in the village of Pokrovka; late Paleolithic site in the village of Anetivka; Trypillia culture settlement 15th – 13th century BC near the village of Vynogradnyi Sad; remains of Mesolithic, Neolithic, copper and bronze settlements of the 5th, 4th and 2nd millennium BC near the town of Kostiantynivka. In addition, near the village of Dmytrivka, a settlement of the 2nd – 5th centuries was discovered, and near the village of Pankratove there is a iconic building of the middle Neolithic cromlech [9].

Voznesensk district has a rich sacral heritage [10].

In the Voznesensk district, the burial places of the Bug Cossacks have been preserved – stone crosses located in the city of Voznesensk, village of Bilousivka, village of Doroshivka [9].

Voznesensk district is also rich in various natural objects, in particular, near the village of Kalynivka in 1996 natural reserve “Yelanets Steppe” was created; in the village of Aktove – a unique natural complex “Aktove Canyon”; in the village of Kryva Pustosh – a geological natural monument of local significance “Kryva Pustosh”, and in the village of Petropavlivka – “Ledges of granites” and the reserved tract “Khomutets”. In the town of Novosilka there is a landscape reserve “Balka Glyboka”. The natural attractions of the city of Voznesensk are the reserved tract “Maryin gai”, the geological landmark of nature “Dzherelo”, the park of Sich Glory [11].

Tourism objects of the Mykolaiv district

Mykolaiv district has the largest number of historical and cultural monuments of national significance among other districts. There are 44 monuments of national importance in the Mykolaiv oblast, 31 of which (or 70%) are in the Mykolaiv district.

The architectural monuments of national importance of the district include: in the city of Mykolaiv – a complex of buildings of the Maritime Department (includes gates and stone walls, two Staroflot barracks and the Oleksandr Men's Gymnasium, built in the 19th century), the Officers' Assembly (1820), the house of the Chief Commander of Black Sea Fleet (1794), Saint-Mykilskyi Cathedral Church (1817), Mykolaiv Astronomical Observatory (1821); in the city of Ochakiv – Nicholas Church (1794). The Shukhovska water tower (1906), the oldest building in Ukraine of the yacht club (1888), the management building of the Mykolaiv Shipbuilding Plant (1951) and many other buildings are also interesting for tourists in Mykolaiv.

Archaeological heritage of the Mykolaiv district is also rich. In Mykolaiv, it includes: the settlement and necropolis "Didova Khata 1" (ancient days, 4th – 3rd centuries BC), "The Roman military camp "Didova Khata" (a fortification for the protection of the Olbian state), the tract "Siversiv Mayak" (there are 2 lighthouses over 150 years old), the settlement – a hillfort on the territory of the Mykolaiv Shipbuilding Plant. A valuable archaeological attraction is the ancient city of Olbia near the village of Parutyne (a Greek colony founded in the 6th century BC), which has the status of the National Historical and Archaeological Reserve "Olvia". The remains of an ancient residential quarter, a necropolis, a stele with the coat of arms of Olbia, and a museum have been preserved here. In addition, there are hillforts on the island of Berezan (the ancient Greek settlement of Borysfenida, founded in the 7th century BC, was found here), in the villages of Dmytrivka, Kozyrka, Matiyasove, Kimivka.

The main museums of the Mykolaiv district are: the Shipbuilding and Fleet Museum, the Museum of the Underground and Partisan Movement, the Mykolaiv Oblast Art Museum named after V.V. Vereshchagin (in the city of Mykolaiv), Ochakiv military-historical museum named after O. V. Suvorov, Ochakiv museum of marine painting named after R.G. Sudkovskyi.

Numerous Cossack necropolises have been preserved in the Mykolaiv district, since in this territory in the historical past there were settlements of Cossacks – stanytsyi. The best preserved necropolis in the village of Mykhailivka is a cemetery of the Bug Cossack stanytsya of Mykhailivka [9].

In the district, there are also monuments of ethnic minorities, in particular Jewish ones (in Mykolaiv, the Chabad-Lubavytch synagogue, the

Old Synagogue, a mikvah); German (Lutheran Church or Nicholas Khirch (1852), Church of St. Peter and Paul in the village of Stepove, German Roman Catholic Church of St. Raphael (1896) in the village of Shyrokolanivka, German Church of St. Anthony of Padua (1893) in the village Novoselivka, Church of St. George (built in 1900–1902) in the village of Krasnopillia. In addition, in Mykolaiv there is a kenesa (1847) – a religious building of the Karaites (Turkic people living in the Crimea), and in the village of Guryivka – an old Turkish well of the 19th century. Most of the ethnic heritage sites are dilapidated and in disrepair [9].

The most famous objects of the natural reserve fund in the district are the natural reserve “Yelanets Steppe”, the national natural park “Svyatoslav’ Biloberezhya”, regional landscape parks “Kinburn Spit”, Tyligulskyi, Mykolaiv zoo and others [11].

Tourism objects of the Pervomaisk district

In Pervomaisk district, historical objects, including mills, are among the tourist attractions. The mill of the Skarzhynskyi in Mygiya, the Sobanskyi in Kinetspil (1902, the only operating mill of the Pervomaisk district) has been preserved, Otaman Kalnyshevskyi in the city of Pervomaisk. Also of interest will be: Dobrovolskyi mill in Ivanivka, Shubovych in the village of Lviv, mills in Semenivka, Chausove and Kamyana Balka.

Pervomaisk district has many architecturally interesting objects. In Pervomaisk there is a city Palace of Culture (formerly the House of Soviets). In the village of Blagodatne an agricultural school – a palace built of rubble stone at the end of the century before last, has been preserved. Zemstvo hospital in the village of Novokrasne is an architectural monument built in the second half of the 19th century. In the village of Voyevodske in 1897, a manor house was built – a monument of architecture of local importance. In the village of Novopavlivka there are architectural monuments of local importance: a hospital (1897) and a zemstvo school (late 19th – early 20th century).

Among the archaeological objects in the Pervomaisk district are settlements of the Neolithic, Mesolithic and Chernyakhiv culture in the city of Pervomaisk, settlements of the Chernyakhiv culture (3rd – 4th centuries BC) in the village of Grushivka and the settlement of the Neolithic, Kyiv Rus (5th – 3rd millennium BC, 9th – 12th centuries) between the villages of Grushivka and Mygiya, the remains of a settlement of the Trypillia culture of the Bronze Age (4th and 2nd millennium BC) and Chernyakhiv culture (2nd

– 5th millennium BC), a burial mound – an archeological monument (3rd millennium BC – 1st millennium) were discovered in the village of Kinetspil. In the village of Semenivka also are settlements and burials of the Neolithic era and 4 settlements of the Bronze Age, Roman coins of the 1st century were found. In the vicinity of the village Kuriachi Lozy treasures and settlements of 4th millennium BC (Trypillian culture) and the Late Bronze Age (late 2nd millennium BC) were found. In the village of Kamyana Balka is a burial ground of the Chernyakhiv culture (3rd – 4th centuries), and in the village of Mygiya – Neolithic settlement (5th – 6th millennium BC). The sites of the Mesolithic (9th – 7th millennium BC) and Late Bronze Age (second half of the 2nd millennium BC) are presented in the village of Novopavlivka.

The objects of the Cossack cultural heritage of the Pervomaisk district include: orlykivskyi sponce – the former Cossack fortification-fortress “Orlyk”, built in the 17th century on the slopes of Synyukha (city of Pervomaisk); steppe mounds in the village of Mygiya – the burial place of the Cossacks, the hillfort – the fortification (defensive structures) of the Cossacks, the preserved ramparts of the village of Kamyana Balka. The village of Novokrasne and Krymka were founded by the Cossacks.

There are many museums on the territory of the Pervomaisk district: the Strategic Missile Forces Museum (a branch of the Central Museum of the Armed Forces of Ukraine) is the only museum in the world where you can look at rocket engines, the R-12 medium-range ballistic missile; local history museum in Pervomaisk; local history museum of the village of Mala Mechetnya; Kuriachi Lozy Museum of Local Lore; Kryve Ozero Museum of History and Local Lore; Vradiyivka Museum of History and Local Lore.

Pervomaisk district has a rich sacral heritage. In this district there are also sights of ethnic minorities: Jewish – in the city of Pervomaisk – the building of the children’s and youth center, built at the expense of the philanthropist Teresa Margolis, as a building for a female Jewish school and two gymnasium buildings, a lot of Jewish buildings and restructured synagogue (currently Jewish community center is located there); Polish – Church of St. Ludwig (1807–1819) and Czech – Bethlehem Chapel in the village of Bohemka.

The following natural objects are located in the Pervomaisk district: the National Natural Park “Bug Gard”, the reserved tracts of Kuriachi Lozy, Livoberezhzhia, the Skarzhynskyi Summer Farm; reserves of local importance: Bayrak, Voevodskyi, Kamyana Balka, Mishchanska Balka,

Novoselivka, Oleksandrivska Dacha, Ostriv Dovgyi, Pivdennobuzkyi, Pidgirnyi; natural monuments of local importance: a source in the village of Chausove, Lukanivka Protychanska (high) rock, Turetskyi stil; parks – sights of gardening and park art: park named after Petrovskyi and Youth Park in the city of Pervomaisk [11].

Attractive is the Radon Lake in Mygiya, which was formed on the site of a granite quarry, the water of which contains a high content of radon. The Mygiya Rapids is a narrow rocky canyon on the Southern Bug River. The canyon is the largest in the steppe Ukraine and is part of the NNP “Bug Grad” [9]. There is also Arbuzytskyi Canyon in the district.

In general, the highest concentration of tourism objects is observed in the Mykolaiv district, in particular in the cities of Mykolaiv, Ochakiv, Nova Odesa. In second place – Pervomaisk district. In other districts, the cities of Voznesensk, Bashtanka, and Novyi Bug have the best-preserved tourism objects.

New tourist routes

The Mykolaiv region has one of the richest archaeological heritage in Ukraine (in 2021, 4,490 archaeological monuments were registered in the Mykolaiv region), but it is in an unsatisfactory state, not sufficiently popularized. In addition, the burial places of the Bug Cossack army, who lived here in the second half of the 18th – early 19th centuries, have been preserved in the region. Ancient Ukrainian cemeteries with stone crosses were constantly destroyed by the Soviet authorities, and during the time of independent Ukraine they were not given due attention. Therefore, in order to attract public attention to these objects, as well as to intensify tourism activities in the region, we offer three tourist routes with objects of historical and cultural heritage (Figure 5.1).

The first route by objects of archaeological heritage: Mykolaiv (settlement and necropolis “Didova Khata 1”, “The Roman military camp “Didova Khata”, tract “Siversiv Mayak”, settlement – a hillfort on the territory of the Mykolaiv Shipbuilding Plant) – Kimivka (settlement and burial mound) – Matiyasove (hillfort) – Dmytrivka (settlement and hillfort) – Parutyne (the ancient city of Olbia) – Kozyrka (hillfort).

The second route includes the objects of archaeological and Cossack heritage: Mykolaiv – Matviyivka (Cossack necropolis) – Kostiantynivka (Cossack necropolis) – Guryivka (Cossack necropolis) – Sebine (Cossack necropolis) – Nova Odesa (Cossack necropolis) – Troyitske (Cossack necropolis) – Pokrovka (hillfort) – Kremenivka (fortress) – Bilousivka

(Cossack necropolises) – Voznesensk (Cossack necropolises) – Oleksandrivka (site) – Anetivka (site) – Vynogradnyi Sad (settlement) – Semenivka (settlement) – Mygiya (Cossack burial mounds and settlements) – Pervomaisk (settlement and Cossack fortification) – Grushivka (settlement) – Kinetspil (settlement, burial mound) – Kamyana Balka (burial ground, settlement, ramparts of the hillfort of the Cossacks) – Kuriachi Lozy (settlement).

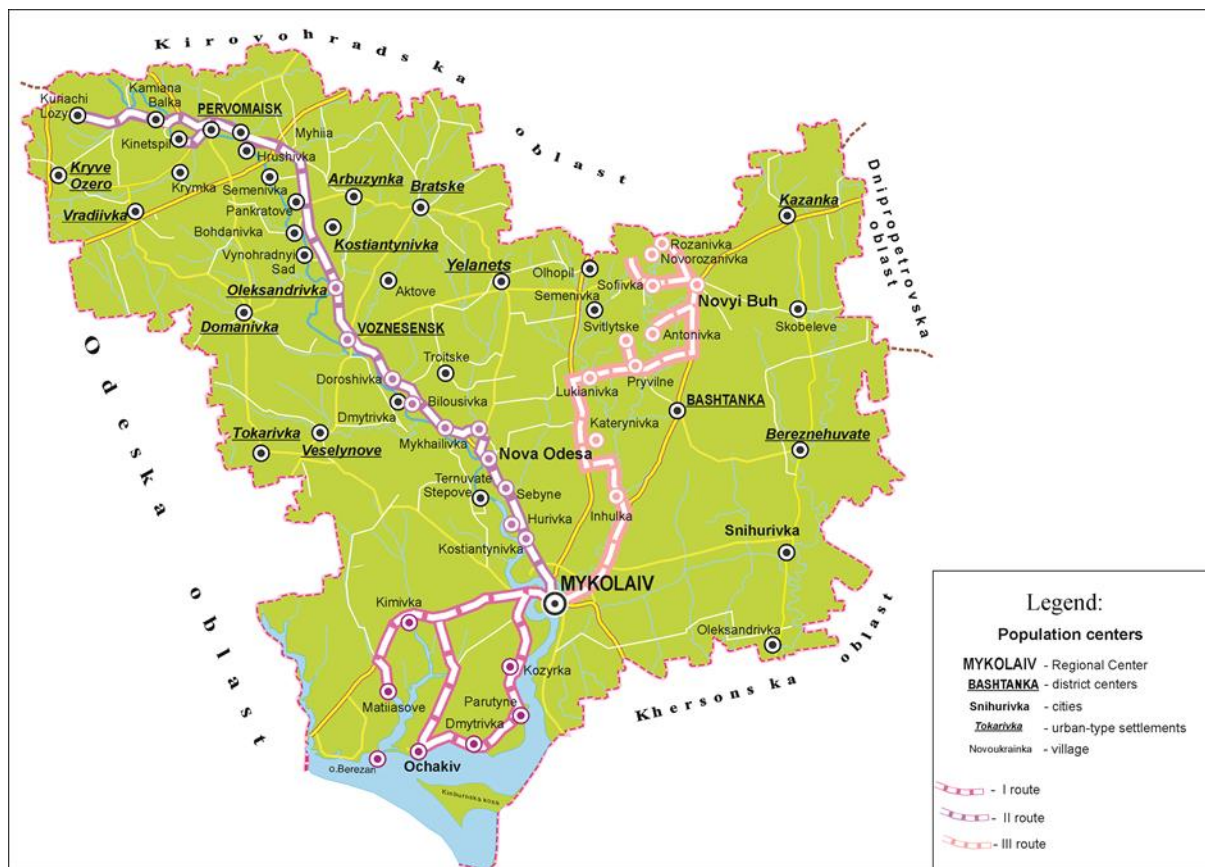


Figure 5.1. **Tourist routes with objects of historical and cultural heritage of the Mykolaiv region**

Source: Developed by the authors.

The third route includes: Mykolaiv – Ingulka (Cossack cemetery) – Kostiantynivka (burial mound) – Lukyanivka (site) – Pryvilne (settlement and burial mounds of the Bronze Age) – Svitlytske (Late Paleolithic settlement) – Antonivka (mound) – Sofiyivka (settlement) – Novorozanivka (archaeological settlement) – Rozanivka (mound) – Novyi Bug (Cossack cemetery).

In Figure 5.2, tourist routes have been developed for natural sites in the Mykolaiv region.

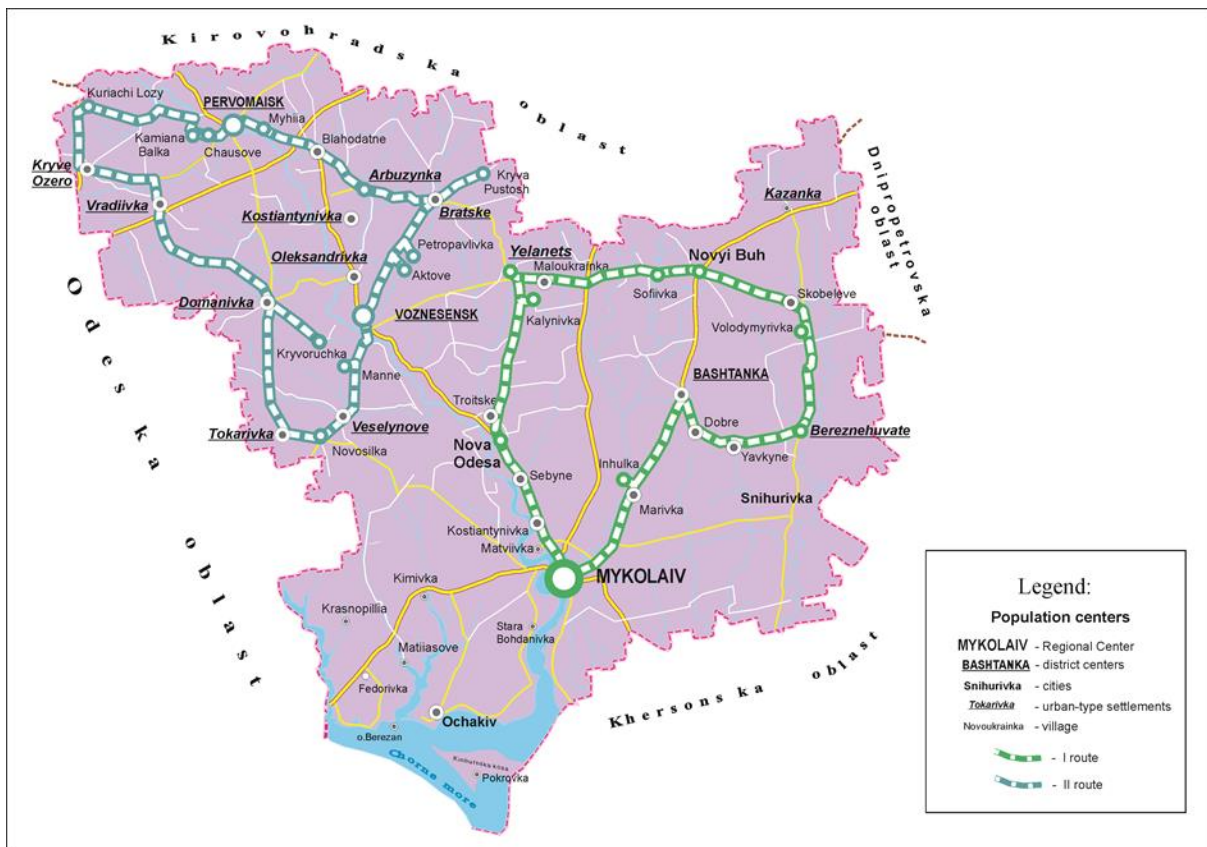


Figure 5.2. **Tourist routes with natural objects of the Mykolaiv region**
Source: Developed by the authors.

The first route through natural objects of the Mykolaiv region: Mykolaiv (Mykolaiv Zoo) – Nova Odesa (Yelanets Steppe nature reserve) – village of Kalynivka (Yelanets Steppe nature reserve) – Yelanets (Yelanets Steppe nature reserve) – village of Sofiyivka (Pryingulsky regional landscape park) – Novyi Bug (Pryingulsky regional landscape park, protected area) – village of Volodymyrivka (natural monument of national significance) – village of Berezneuvate (Vysunsko-Inguletsk Regional Landscape Park) – village of Ingulka (regional landscape park).

The second route through the natural objects of the Mykolaiv region: the city of Voznesensk (reserved tract “Maryin Gai”, geological monument of nature “Dzherelo”, Sichova Slava park) – village of Aktove (unique natural complex “Aktove Canyon”) – village of Petropavlivka (“Granite outcrops” and the reserved tract “Khomutets”) – village of Bratske (Bratsky Park, Khomutets reserved tract) – village of Kryva Pustosh (geological monument of nature of local importance “Kryva Pustosh”) – village of Arbuzivka (canyon) – village of Mygiya (NPP “Buzkyi Grad”, Radonove Lake) – Pervomaisk city (parks of horticultural and park art attractions: Park named after Petrovsky and Molodizhny Park) – village of Chausove (natural

monuments of local importance) – village of Kamyana Balka (reserved tract) – village Kuryachi Lozy (reserved tract) – village of Kryvoruchka (landscape reserve) – village of Novosilka (“Balka Glyboka” landscape reserve) – village of Manne (“Balka Glyboka” tract).

For a more detailed consideration of the tourism potential of the Mykolaiv region, we conduct a SWOT analysis.

Table 5.1. SWOT analysis of the tourism potential of the Mykolaiv region

Strengths	Weaknesses
<p>Advantageous geographical position. Rich archaeological heritage Preserved Cossack necropolises. Considerable cultural heritage of ethnic minorities. Unique monuments of shipbuilding and the fleet, lighthouses. Rich natural potential, in particular, canyons, nature reserves, landscape parks.</p>	<p>The neglected state of many cultural heritage sites. Underdeveloped tourism infrastructure. Weak popularization of tourism potential. Irrational use of recreational resources. Underestimation of the importance of historical and cultural monuments. Insufficient number of tourist routes. Deterioration of the ecological situation and reduction of the recreational value of the territory. Illegal archaeological excavations.</p>
Opportunities	Threats
<p>Develop tourist resources. Improve the approach to the protection of cultural heritage objects. View the list of local landmarks. Develop new tourist routes. Improve the tourism infrastructure. Attract investments. Create lists of objects damaged or destroyed during the war. Offer virtual tours.</p>	<p>War. Deterioration of the ecological situation and reduction of the recreational value of the territory. Decrease in incomes of the population. Insufficient financing of the tourism industry. Man-made disasters.</p>

Source: Developed by the authors.

Conclusion. The Mykolaiv region has rich tourism potential, in particular, there are historical, archaeological, architectural, natural and other sites. The largest number of tourism sites are located in the cities of Mykolaiv, Ochakiv, Nova Odesa, Pervomaisk, Voznesensk, Bashtanka and

Novyi Bug. However, there are a number of problems and threats to the development of the tourism potential of the Mykolaiv region, which are now mainly related to the war.

Effective popularization and inclusion of the rich tourism heritage of the region in tourist routes will help increase financial revenues to the budgets of territorial communities. It is necessary to develop promising areas of tourism development (ecological, rural green, historical and cultural, industrial, youth, active types of tourism); increase national consciousness and interest in the tourism heritage of the Mykolaiv region; effectively implement state social policy; stimulate the use of tourism resources of the Mykolaiv region; conduct an advertising campaign on the national and international tourism services market.

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Chapter VI

THE TAX COMPONENT OF THE STATE'S BUDGETARY RESOURCES

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Introduction. The state's tax policy cannot be good or bad, it must be adequate to the challenges of today. It is the basis for the effective functioning of the PFM system, structural economic reforms, solving the problems of Ukraine's social and economic development, and creating financial support for the country's defense capability.

In the pre-war period, Ukraine successfully implemented fiscal consolidation and financial decentralization reforms, and a responsible tax policy allowed to reduce the deficit of the general government sector, reduce the debt and tax burden, and build a democratic tax administration system.

Taxes, on the one hand, are the simplest category of financial science, the cell of finance at the macro level, because they are the basis for the formation of financial relations at the state level. On the other hand, it is a complex financial and social phenomenon, which is caused, firstly, by the perception of the functional purpose of the tax by the subjects of tax legal relations, which generates the risks of budget losses; secondly, by the use of the tax as an important tool for making managerial decisions in the field of state influence on socio-economic processes.

At the present stage of society's development, taxes are the main form of state revenue. The mechanism of taxes is a financial function that, with the help of economic instruments, affects social production, its dynamics and structure, as well as scientific and technological development.

Taxes are used to distribute and redistribute GDP, and a certain part of them is allocated to provide for the population and the social sphere. In addition, they also affect the capital cycle at all its stages. Thus, the state controls the mass of supply and demand for goods and capital, because the demand of the population is the result of the functioning of production as one of the phases of capital.

Taxes in the life of society affect market relations, strengthen them and stimulate the development of entrepreneurship. In addition, they facilitate production processes and serve as a barrier to social impoverishment of the population, financially unable to afford it.

At the current stage of development of the national economy, the quality of management in the field of public and local finances plays an important role in the context of its long-term and efficient growth. The state budget as the main financial plan of Ukraine today is an important mechanism for redistributing financial resources and ensuring the smooth functioning of the country's economic system, on the one hand, and providing an appropriate level of social guarantees, on the other.

However, over the past three years, Ukraine has been facing large-scale challenges, including the global economic crisis of 2019–2020, the spread of the acute respiratory disease COVID–19 caused by the coronavirus SARS-CoV–2, and the ongoing Russian military aggression since 2014, which turned into a large-scale invasion in February 2022. Overcoming these challenges and defeating the Russian aggressor requires additional resources and a more effective and efficient tax policy adapted to modern requirements. The macroeconomic stability achieved in 2021 has been replaced by the functioning of the national economy under martial law, which requires extraordinary fiscal measures to enable Ukraine to go through this difficult period in a controlled manner. In order to ensure the post-war recovery of Ukraine's economy in the medium term and implement the European integration course, our country needs to take measures to implement an adequate tax policy, increase tax revenues and improve the efficiency of tax administration, create tax mechanisms to improve the investment climate, taking into account the challenges of a war economy and the loss of a significant amount of production potential due to hostilities, mass migration, etc. Given the current external and internal factors of negative influence (both economic and political), the efficiency of filling the revenue side of the State budget is becoming increasingly important. Given that tax revenues form the bulk of budget revenues, the analysis of these trends determines the relevance of the topic of this research.

Literature review. The evolution and development of monetary relations, including the history of taxes, substantiates the dual nature of the origin of the tax. I. Kulisher [1] notes that the first type of tax (contribution tax, tribute) is a tax on the losers, the suppressed – the “tax of the feudal

system”; the second type – the “tax of bourgeois society” is of a different nature and arose as a result of long negotiations between different representatives of the authorities (social contract). At the same time, financial science describes the need for taxes in separate theories. The first – individualistic theories (convenience, exchange, service-retribution, atomistic theory) – were based on minimizing state intervention in the economy. These theories made it possible to determine the necessity and mandatory nature of taxes, which are based on the idea of the contractual origin of the state. But there is no voluntary agreement for the payment of taxes, “taxes are levied not by agreement, but by virtue of the coercive power of the state.”

It is the coercive nature of the tax that is revealed by the second collective theories (theories of collective (social) needs). It is to meet “collective needs” that taxes should be used. E. Seligman [2] defined the evolution of the historical development of views on the nature of the tax as follows: tax-gift – tax-request – tax-assistance – tax-victim – tax-debt – tax-coercion – tax-share (fate), regardless of the will of the payer. These findings lead to reflection on the different perceptions of tax payers. If the burden of taxation for the payer is small, then we are talking about a tax – an obligation; if it is very large – it is worth talking about arbitrariness and tax – file [3].

V. Fedosov, V. Oparin & H. Pyatachenko [5] characterize taxes as one of the forms of economic relations for the distribution and redistribution of national income in accordance with the needs of financing public expenditures; called the initial category of finance, the economic foundation of the functioning of the state and the most important form of regulation of market relations.

Taxes in the modern economy occupy a special place and are of great importance for its development. At the end of the 80s of the twentieth century. Yu. Kovalchuk considers american scientists M. Burns, G. Stein & A. Laffer formed the theory of economics, which considered taxes as one of the factors of economic development and regulation [5].

In modern economic literature, the concept of taxes is understood as mandatory, gratuitous payments to the state of individuals and legal entities. From this definition it follows that the main administrator of taxes is the government.

According to A. Mirchev [6], it is taxes that are one of the most effective levers for ensuring the development of the economy [7].

To date, the main task facing the state is to simplify the structure of the tax system of Ukraine as much as possible to ensure the stability of tax revenues to the budget.

V. Ostrovetsky [8] sees the key purpose of tax revenues in providing the country with financial resources in order to finance government spending. An important tool for the implementation of the collection of tax payments is the reduction of the budget, financed with the help of taxes, loans, foreign aid and the issuance of money.

In the conditions of the modern development of the Ukrainian economy, taxes are the main lever of macroeconomic regulation, affecting not only the interests of the state, but also the payers.

Results. The variety of existing taxes necessitates their classification (grouping) by type on a certain basis. In modern taxation theory and practice, the following features of tax classification are noted:

- by the form of taxation, taxes are divided into direct and indirect;
- by the subjects of taxation, there are taxes on individuals, taxes on enterprises and organizations, and mixed taxes;
- by the body that establishes and specifies taxes, taxes are divided into state and local taxes;
- general and special taxes are distinguished by the purpose of the tax.

Considering taxes as an instrument of value distribution and redistribution of the gross domestic product and national income of the state, it should be noted that taxation simultaneously performs several functions, each of which implements a particular purpose of taxes. It should be noted that official documents on taxation do not define the functions of taxes. However, in specialized literature, textbooks and scientific articles, the authors identify a number of functions performed by taxes. Interacting, these functions form an interdependent system that performs the following main functions: fiscal (budget), distribution (social), regulatory (economic), control, and incentive [9].

The fiscal function realizes the main purpose of taxes: formation and mobilization of financial resources of the state, as well as accumulation of funds in the budget for the implementation of national and targeted state programs.

The distributive (social) function of taxation reflects the redistribution of public income among different categories of the population.

The regulatory (economic) function of taxation is aimed primarily at achieving certain objectives of the state's economic policy through tax

mechanisms. When studying this aspect of tax relations, the stimulating, discouraging and reproductive sub-functions of taxation are distinguished.

The incentive sub-function is aimed at supporting certain economic processes. It is realized through a system of benefits and exemptions. Ukraine's current taxation system provides a wide range of benefits and exemptions for taxpayers.

The discouraging subfunction, on the other hand, is aimed at creating obstacles to the development of any economic processes that contradict the state's economic policy through taxation.

The reproduction subfunction is intended to accumulate funds for the restoration of the resources used. This subfunction is performed by deductions for the reproduction of the mineral resource base, water fees, mandatory fees for the development of viticulture, horticulture, etc.

However, the regulatory function of taxes is not predominant in the practice of taxation in Ukraine. Both legislative and executive authorities prefer the fiscal function of taxes.

Insufficient attention to the regulatory function of taxes on the part of the state does not reduce its impact on the activities of taxpayers. Objectively, every producer is interested in paying the least amount of taxes and often achieves this both by legally reducing the amount of the taxable object and by choosing favorable business conditions from the point of view of taxation. Thus, the very essence of every tax is a regulatory function.

The controlling function of taxation is used to assess the efficiency of the tax system and to control activities and financial flows. The controlling function of taxation reveals the need to make changes to the tax system, as well as to the state budget policy [10].

The budget is the main fund of financial resources of the state and administrative-territorial units across the country. Timely and complete generation of budget revenues, with tax revenues playing a key role, is particularly important in the context of financing the tasks and functions performed by public authorities and local governments.

Tax revenues are an important component of budget revenues, constituting the bulk of GDP that is redistributed through the budget. In this context, their main functions are most fully manifested. In the process of mobilizing part of the newly created value and forming a fund of financial resources using various forms of tax revenues (taxes, fees, mandatory payments), the financial and economic activities of individual business

entities and the expanded reproduction of the country as a whole are regulated [11].

Tax revenues are national and local taxes and duties established by law, which are the leading methods of mobilizing budgetary resources and instruments of state regulation of the economy. In accordance with the strategy of reforming the public finance management system, building a modern tax system that ensures a reasonable level of tax burden involves: increasing the stability and predictability of the tax system; improving the quality and efficiency of tax administration; expanding the tax base; increasing the level of compliance with tax legislation by taxpayers; improving the customs control system [12].

Tax revenues occupy an important place in budget revenues, occupying the largest share in their structure, which, in turn, affects the socio-economic development of the state, and is also one of the tools of state regulation of the economy.

In general, tax revenues, their formation, distribution and use are an important element of the system of budgetary and tax regulation, and its importance is increasing in the context of the transformation of the economic system [9].

The formation of tax revenues is the process of initiating, administering and accumulating taxes using fiscal pressure instruments.

The consequences of the tax revenue mobilization mechanism and its role in filling the revenues of the consolidated, state and local budgets are reflected in the dynamics of these revenues and their share in the revenues of the respective budgets.

Tax revenues occupy an important place in budget revenues, occupy the largest share in the structure of budget revenues, which in turn affects the socio-economic development of the state, and is one of the tools of state regulation of the economy [12].

Tax revenues are an important form of redistribution of gross domestic product. They provide a significant portion of the revenues of the State Budget of Ukraine.

The amount of tax revenues is determined by the state of development of the country's economy, the number of economic agents and their activity, which, in accordance with the provisions of the national tax legislation, are obliged to make contributions to the state, as well as the needs of the state to redistribute GDP and financially support the implementation of state programs [13].

Considering the importance of effective and timely filling of the state budget in the context of ensuring key functions in the sphere of economic and social functions of the state, we consider it necessary to analyze the dynamics of the share of tax revenues in the State Budget of Ukraine for the period from 2014 to 2022 inclusive (Figure 6.1).

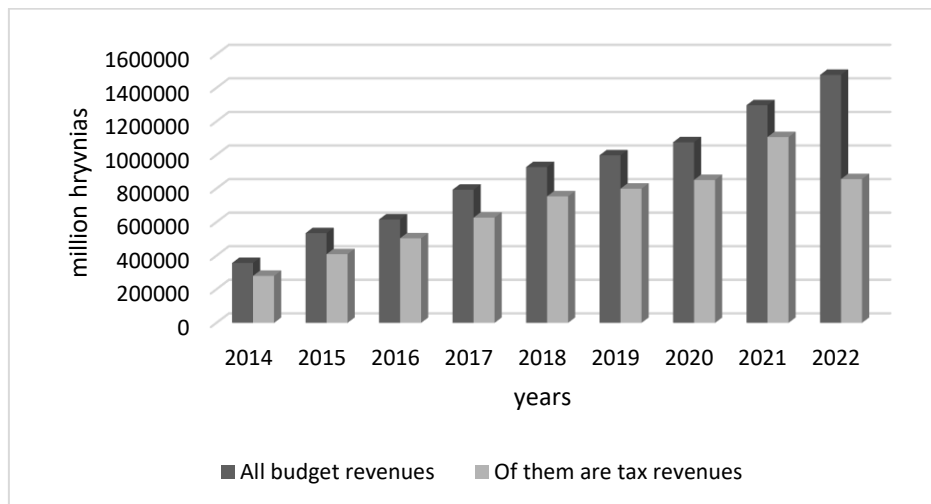


Figure 6.1. Dynamics of revenues of the state budget of Ukraine (million hryvnia) and the share (million hryvnia) of tax revenues in budget revenues for 2014–2022

Considering the above diagram, we can conclude that tax revenues account for about 75–80% of the total revenues of the State Budget of Ukraine.

The share of tax revenues in 2014 amounted to 78.46% of all state budget revenues and amounted to UAH 280,178.3 million.

Revenues from value added tax on imported goods were the largest (Figure 6.2).

The growth in absolute terms and in the structural ratio of VAT, as well as excise tax (AP) and duties, is due in crisis conditions to the strengthening of the fiscal function of indirect taxes, which entails an increase in the tax burden on consumption.

Next, consider the structure of revenues of the state budget of Ukraine for 2015. In 2015, compared to 2014, the share of income from personal income tax increased significantly and amounted to 8.43%, which indicates an increase in household income.

2015 the share of tax revenues to the State Budget of Ukraine was 76.57%, almost the same as the previous year.

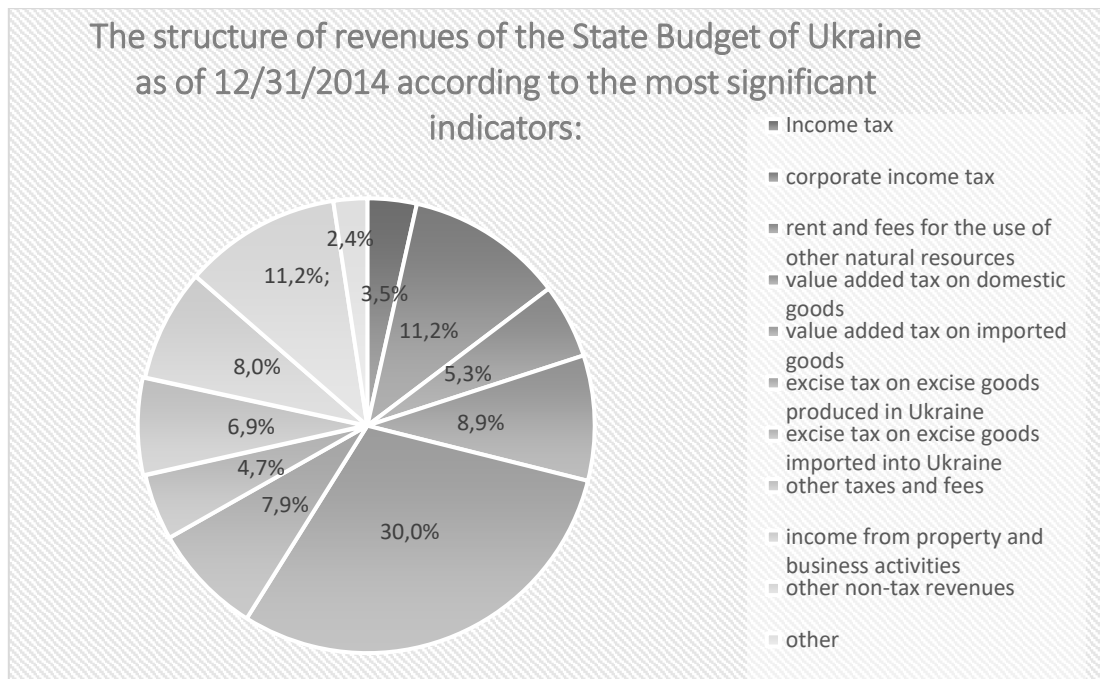


Figure 6.2. The structure of revenues of the State Budget of Ukraine as of December 31, 2014 according to the most significant indicators

In 2016, the share of tax revenues increased and amounted to 81.76%. The most significant were revenues from value added tax from imported goods – 29.5%.

In 2017, the share of tax revenues slightly decreased and amounted to 79.06%. The total amount of tax revenues in 2017 increased by 45% compared to 2014, and the growth rate of indirect taxes significantly outpaces the growth rate of direct taxes. The revenues of the State budget of Ukraine are dominated by indirect taxes, of which the largest share belongs to the value added tax (VAT).

In 2018, the share of tax revenues almost returned to the level of 2016 and amounted to 81.22%. This year, as in previous years, the share of indirect taxes prevailed.

In 2019, the share of tax revenues was 80.12%, in 2020 – 79.10%, in 2021 – 85.37%.

Studies have shown that value added tax generates the largest percentage of state budget revenues. This is because it is generated at all stages of production and circulation, is taken into account as a surcharge on the price of goods and paid by the end consumer, but is transferred and accounted for to the budget by a tax agent. Other factors contributing to the high volume of VAT payments include a sufficiently efficient mechanism of accrual and payment, which prevents taxpayers from evading this tax.

Excise tax accounts for a significant share of budget revenues, with a share of 16.2% in 2020. The excise tax is one of the most unstable taxes in terms of budget revenues, which is caused by constant changes in the legal framework and the characteristics of excisable products on the market [14].

A significant part of the revenue is also generated by the corporate income tax, which is characterized by the ability to stimulate and regulate business activities. Despite the fact that the level of shadow economy in the country is quite high, the amount of this tax revenues to the budget is growing, which indicates strengthening of control over the timeliness and completeness of tax payments, increasing solvency of individual enterprises and encouraging taxpayers to pay through benefits [15; 16].

In 2022, Ukraine’s economy suffered enormous losses from Russian armed aggression, and it is difficult to estimate these losses as the war continues. The war is causing an unprecedented increase in the budget deficit. Tax revenues were limited due to the decline in economic activity (Figure 6.3).

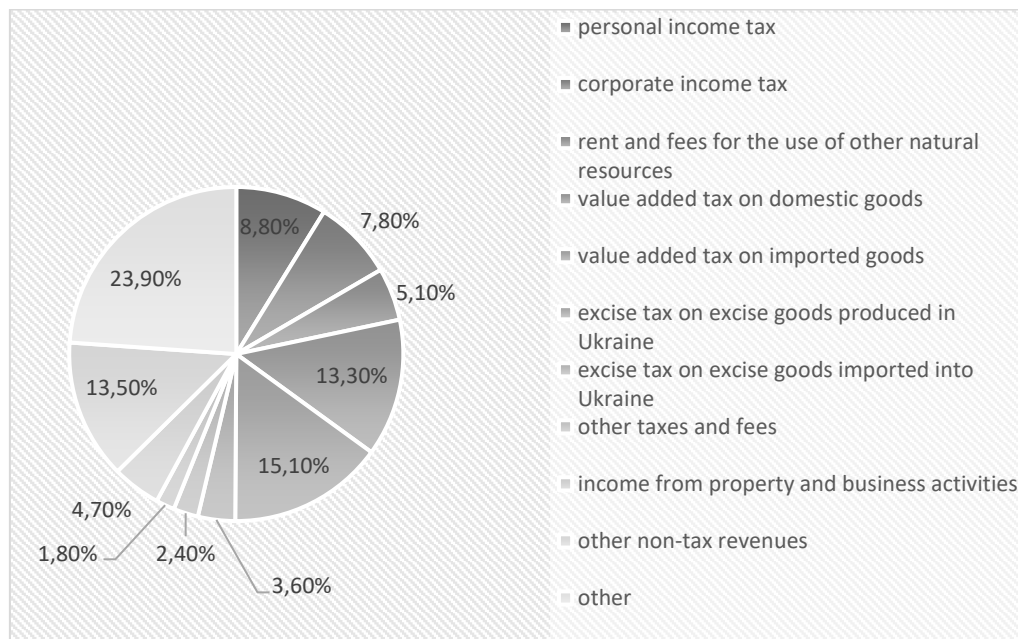


Figure 6.3. The structure of revenues of the State Budget of Ukraine as of December 1, 2022 by the most significant indicators

During the period of martial law, special attention is paid to the formation of the state’s financial base. The state budget deficit makes Ukraine’s debt dependence inevitable, but the needs to stabilize the country’s economy, solve current economic problems, regulate and

implement the state's economic strategy, unfortunately, cannot be met by own funds [17–19].

As the debt burden grows, the issue of administering tax revenues, which are known to be the main source of state budget revenues, becomes more and more relevant. In general, according to the Budget Code of Ukraine, budget revenues are classified into the following sections:

- 1) tax revenues
- 2) non-tax revenues
- 3) income from capital transactions
- 4) transfers [20; 21].

If we analyze the dynamics of changes in the share of tax revenues in the structure of state budget revenues in 2018–2022, we can once again see the undisputed leading role of taxes in budget revenues.

An important point in analyzing tax revenues is to determine the ratio of direct and indirect taxes. Changing their proportions is a tool to influence the efficiency of tax policy and the economy as a whole. As we can see in Table 6.1, the leaders among tax revenues are domestic taxes on goods and services, their share was not lower than 60% for the entire period under study, and the growth trend in absolute values has been maintained for 5 years and amounts to 51.5% [22].

Table 6.1. Composition and structure of tax revenues of the State Budget of Ukraine for 2018–2022, UAH billion

Tax	Years									
	2018		2019		2020		2021		2022	
		%		%		%		%		%
Taxes on income, on profits, and market value appreciation	173.5	22,8	201.7	24	221.8	26.8	283.6	26.8	319.8	26.6
Rent and fees for the use of other natural resources	46.5	6.1	58.3	6.9	54.2	6.6	73.2	6.9	71.2	5.9
Internal taxes on goods and services	508.5	66.9	546.1	65	518.4	62,7	663.4	62,7	770.6	64
Taxes on international trade and foreign operations	28.7	3.8	30.5	3.6	28.6	3.5	33.9	3.2	37.4	3.1
Other taxes and fees	2,8	0.4	4.1	0.5	3.2	0.4	3.7	0.3	5	0.4
Total	760	100	840.6	100	826.3	100	1057.8	100	1204.1	100

Source: [23].

During 2018–2022, tax revenues to the State Budget of Ukraine increased from UAH 760 billion to UAH 1204.1 billion. The structure of tax revenues was as follows: taxes on income, profit and market value growth accounted for the largest share (22.8% to 26.8%), followed by domestic taxes on goods and services (62.7% to 66.9%). Taxes on rent and use of natural resources, taxes on international trade and external transactions, and other taxes and fees had a smaller share in the overall structure [22].

Now let's analyze the dynamics of tax debt (Table 6.2).

In the period from 2018 to 2022, the total amount of Ukraine's tax debt increased from UAH 105,726.7 million to UAH 126,032.2 million.

Table 6.2. Dynamics of Ukraine's tax debt in 2018–2022, UAH million

No.	Name of indicator	2018	2019	2020	2021	2022	Absolute change 2022 to 2018
1.	Total tax debt (excluding customs duties)	105726.7	105715.3	107581.3	133132.4	126032.2	+20305.5
2.	Amount of bad debts written off	7612.2	679.7	742.3	748.1	748.3	-6863.9
3.	Installments: amount	4.0	36.1	36.2	32.6	4276.8	+4272.8
4.	Installments: number	2	43	50	52	48	+46
5.	Total amount of debt on customs payments	905.2	900.7	900.7	900.7	900.7	-4.5

Source: [22].

The amount of bad debts written off decreased from UAH 7,612.2 million to UAH 748.3 million. Installment loans increased from UAH 4.0 million to UAH 4,276.8 million. The number of installment plans changed from 2 to 48. The total amount of customs payments remained almost at the same level, decreasing slightly from UAH 905.2 million to UAH 900.7 million. Let us now analyze the structure of Ukraine's tax debt (Table 6.3).

Over the period from 2018 to 2022, the total amount of Ukraine's tax debt increased from UAH 105,726.7 million to UAH 126,032.2 million, while the amount of bad debts written off decreased from UAH 7,612.2 million to UAH 748.3 million. The share of bad debts decreased from 6.66% to 0.59%. The structure of the debt on customs payments remained almost unchanged, with a share of 0.71% in 2022.

**Table 6.3. Analysis of the structure of the state tax debt of Ukraine
2018–2022 [22]**

Name of indicator	2018	Specific weight, %	2019	Specific weight, %	2020	Specific weight, %	2021	Specific weight, %	2022	Specific weight, %
Total tax debt (excluding customs payments)	105726.7	92.54	105715.3	98.53	107581.3	98.50	133132.4	98.78	126032.2	98.71
Amount of bad debts written off	7612.2	6.66	679.7	0.63	742.3	0.68	748.1	0.56	748.3	0.59
Total amount of debt on customs payments	905.2	0.79	900.7	0.84	900.7	0.82	900.7	0.67	900.7	0.71
Total	114244.1	100	107295.7	100	109224.3	100	134781.2	100	127681.2	100

It should be noted that indirect taxation is the most significant component in the structure of Ukraine’s budget revenues.

It accounts for the largest share of total revenues. The advantages of indirect taxation include ease of working with the end consumer, the absence of the possibility of payment evasion, stimulation of production, ease of perception by taxpayers, and simplification of control. There are also disadvantages of indirect taxes, namely: price increases reduce the solvency of the population, the amount of the established tax increases the costs of enterprises for the purchase of raw materials, if the VAT paid is not refunded, the cost of production increases, etc. But despite this, as already noted, indirect taxes generate the largest share of revenue, so their effectiveness does not suffer from these shortcomings. The full-scale invasion has significantly actualized the topic of filling the revenue side of the State Budget [24].

Considerable attention is paid to its tax component. Despite the weakening of the tax system to support business in the country, taxes remain the largest source of financial resources. Indirect taxes play a special role. It is worth noting that indirect taxation, due to its numerous advantages, continues to occupy the largest share in the revenue structure. Despite this, its growth rate may be lower compared to other groups [25].

In today’s environment, which requires active government intervention in the economy, tax policy is gaining importance. It is aimed at

regulating market processes, stimulating entrepreneurship, influencing investment activity and promoting economic growth. Therefore, it should be borne in mind that tax policy is one of the key factors affecting national production. In order to meet the financial needs of the state, tax policy is defined as a comprehensive set of measures. One of the key goals of tax policy is to achieve a balance between the economic interests of the state and taxpayers in order to stimulate economic development of the society and create a favorable environment for its prosperity. This means that tax measures should be properly designed and serve as a tool to stimulate entrepreneurship, make the investment climate more attractive, and promote sustainable economic growth [26].

Unfortunately, in the current environment, tax policy in Ukraine does not have a favorable impact on the economy, but rather suppresses modern production. According to the current Law on the State Fiscal Service of Ukraine, there are currently as many as 26 different taxes and fees in Ukraine. This is a considerable number, which complicates and burdens the process of developing national production. As a result of honest payment of these taxes and fees, companies have to transfer a significant share of their value added to the budget, namely from 40% to 45%. Such a high level of taxation leads to a limitation of economic growth, which has a negative impact on the overall situation in the country.

There are objective reasons for this situation, including the following factors:

- Property reforms: The processes of transformation and reform of property relations may have an impact on tax policy. The transition from a centralized economy to a market system can lead to ambiguity and instability in the tax area.

- Inability to quickly commercialize non-productive industries: Industries that do not have a pronounced commercial character, such as healthcare, education, science, culture, etc., require significant public spending. This leads to the need to raise additional funds through high taxation of the productive sectors, which can negatively affect economic development. Increased public spending on social protection: The economic crisis and inflation can cause a drop in living standards, which creates a need to increase public spending on social protection. This may force the government to seek additional sources of revenue by increasing the tax burden on businesses and individuals.

Among the key indicators that reflect the country's economic development are the following aspects:

- Gross domestic product (GDP)
- The volume of national production
- Prices in the consumer market
- Currency and money market
- Capital investments

The tax policy of the state is of great importance for the economic development of the country, which is reflected in the numerous indicators listed above. Taxation is an important instrument of the state to raise financial resources and to use them efficiently depending on the needs and objectives. Tax policy is manifested through various ways and forms of mobilizing these resources [27].

Violations in the tax system can have a significant impact on the economy and cause risks of a disproportionately large scale, even in the context of its limited impact [28; 29].

Analyzing the level of tax burden in Ukraine in recent years, including various components of the tax system, it is clear that the level of the budget tax burden has increased from 35.5% in 2015 to 40.8% in 2021. Real GDP also increased from UAH 1430.2 billion in 2015 to UAH 4363.5 billion in 2021. Tax revenues to the consolidated state budget increased from UAH 507.6 billion in 2015 to UAH 1453.8 billion in 2021. The labor tax burden ranged from 13.2% in 2016 to 17.2% in 2021. The personal income tax, the unified social contribution, and the single tax all increased during this period. The tax burden on capital remained stable, while the tax burden on consumption ranged from 20.4% to 17.2%. VAT, customs duties, and excise taxes were the main sources of tax revenues from consumption. The overall tax burden ratio increased to 40.8% in 2021, indicating a significant share of income going to taxes.

On the one hand, there is an unstable growth rate of gross domestic product (GDP), and on the other hand, there are systematic changes in the country's tax legislation.

Indeed, during the period from 2011 to 2020, 155 amendments to the Tax Code were adopted in Ukraine. In addition to the Tax Code, taxation is regulated by a wide range of regulations, such as bylaws, presidential decrees, resolutions and orders.

In the international ranking of transparency and ease of doing business "Doing Business 2021" [30], Ukraine was ranked 70th out of 185 countries

According to Table 6.4, Ukraine has the following results in the ranking: in the category “Ease of doing business” it is ranked 70th, in the category “Obtaining credit” – 29th, in the category “Protecting investors” – 81st, in the category “International trade” – 119th, in the category “Enforcing contracts” – 82nd, and in the category “Taxation” – 43rd. These results indicate the level of development of the business environment in Ukraine compared to other countries.

Table 6.4. Doing Business 2021 rating [30]

No.	Name of the indicator that was	Place in the ranking
1	Ease of doing business	70
2	Obtaining loans	29
3	Investor protection	81
4	International trade	119
5	Ensuring the fulfillment of contracts	82
6	Taxation	43

According to the official estimates of the Ministry of Economic Development and Trade of Ukraine, the shadow economy is 35%, but according to experts, this figure can reach 45%. According to the estimates of the leading consulting company Boston Consulting Group, every year Ukrainian companies undertax in the amount of USD 25 billion, which does not go to the budget, which is approximately 20% of taxes that are hidden from taxation [31]. There is a significant correlation between the level of tax burden and gross domestic product, which is manifested at a fairly close level.

Countries that rank highly in the World Bank’s tax efficiency rankings have an impressive average GDP per capita of \$29,200. Countries that are less efficient in the second half of the tax system ranking have a low average GDP per capita of less than \$5,300. The countries that occupy lower positions in the ranking have an average tax system efficiency score that is three times lower than the countries with higher scores. In addition, these countries have a six-year difference in GDP per capita compared to other countries [31].

According to the economic development indicators available on the World Bank’s website, it can be concluded that economic indicators in Ukraine are unstable and there is no clear upward trend.

The war is a rather multifaceted factor affecting tax revenues. It is a starting point, a realized threat that produces various vectors of

consequences for the country's budgetary resource management system. The generalized result of the war's impact on tax revenues is their volume accumulated by the consolidated budget of the country in the relevant periods. Analyzing the budget statistics [32; 33], we note that in 2014 it amounted to UAH 367.5 billion, or 3.8% more than in the previous period, and in 2015 – UAH 507.6 billion, or 38.1% more, respectively. The most significant increase in tax revenues in this period was provided by the following:

- personal income tax (PIT) and military duty: +4.2% (2014) and +33.0% (2015) due to amendments to the Tax Code of Ukraine [34] aimed at introducing military duty and taxation of income received in the form of interest;

- excise tax: +23.0% (2014) and +57.0% (2015) due to increased production and imports of certain groups of excisable goods, increased rates and introduction of excise tax on trucks, buses and electricity [35];

- rents: +16.4% (2014) and +24.9% (2015) due to the increase in rates for natural gas production;

- taxes on international trade (primarily import duties): +219.8% (2015) due to significant appreciation of the hryvnia against the US dollar (average annual growth of 83.8% year-on-year) and introduction of additional import duty;

- value added tax (VAT): +8.4% (2014) and +28.3% (2015); the increase in import VAT was due to changes in the exchange rate, while the increase in domestic VAT (by 31.9% in 2015) was due to the inflationary factor (the consumer price index reached 143.3% in this period);

- local taxes and fees: +11.0% (2014) and +237.5% (2015) due to changes in their composition, expansion of the real estate tax base and increased financial powers of local governments in the first phase of the budget decentralization reform.

At the beginning of the open military aggression, the forecasts for tax revenues in 2022 were much more mixed than in 2014. Especially since the public authorities made decisions to reduce the fiscal burden, which were desirable for taxpayers [36], namely:

- the possibility of switching to the simplified taxation system at a rate of 2% for the vast majority of corporate income tax payers;

- reduction of excise tax rates and VAT rates – from 20% to 7% on fuel (gasoline, diesel and liquefied gas);

- exemption of owners and tenants of land plots located in the territories where military operations were conducted from land payments starting from March 1, 2022 for the entire period of martial law and for another year after its termination;
- similarly with regard to the environmental tax;
- abolition of the accrual and collection of the minimum tax liability for agricultural land in certain territories for 2022–2023;
- cancellation of payments for customs clearance of vehicles imported into the territory of Ukraine before July 1, 2022, and preservation of this benefit for certain types of vehicles throughout the entire period of martial law, etc.

Therefore, the situation with the dynamics of tax revenues to the budget of Ukraine was quite expected (different from 2014): in 2022, UAH 1,343.2 billion was accumulated, or 7.6% less than in the pre-war period. The most significant decline was in the amount of such taxes and fees:

- VAT: by UAH 69.5 billion, or by 13.0% compared to the previous year (despite tough tax administration measures – blocking tax invoices – up to 1.75% of their total in November 2022, while its “normal” level is 0.6–0.8% [37], as well as the forced suspension of VAT refunds to taxpayers, which amounted to UAH 84.6 billion in 2022, which is UAH 75.1 billion less than in 2021);

- excise tax: by UAH 64.9 billion, or 36.0%, respectively;
- corporate income tax: by UAH 33.2 billion, or 20.3%;
- international trade taxes: by UAH 12.0 billion or 31.4%;
- local taxes and fees: by UAH 5.6 billion, or 6.2%.

These negative indicators for the country’s budget were partially offset by an increase in rent payments (by UAH 4.8 billion, or 5.4%) and, to a large extent, personal income tax and military duty (by UAH 70.9 billion, or 20.3%). Unlike rents, which were subject to differentiation and rate increases, the growth of personal income tax revenues, as in 2014, was driven by another element – its base. The following differences are worth noting:

- 2014: consolidated budget losses on the “salary” base amounted to UAH 2.15 billion, or 3.3% compared to the previous year, and the increase on the “military personnel allowance” base was UAH 0.7 billion, or 26.9%, respectively;

– 2022: similarly, UAH –20.8 billion, or –7.8% (salary base) with a simultaneous increase of UAH +92.4 billion, or 5.7 times (military personnel allowances base).

Such results are objective given the significant decline in economic activity of employers [38], migration of the working population [12], and a reasonable increase in the need for financial support of the state’s defenders during the war [39].

On the other hand, despite the time of severe trials for Ukrainian society, it is natural for taxpayers to want to minimize the amount of their financial obligations to the state. Therefore, their unscrupulous representatives continue to use long-known tax evasion schemes and take advantage of innovations in tax legislation, which leads to billions of dollars in tax revenues to the Ukrainian budget. In the first two months of 2023 alone, the State Tax Service of Ukraine submitted “analytical studies on tax evasion totaling UAH 10.6 billion to law enforcement agencies” [38].

Summarizing the results of the assessment of budgetary indicators, the main areas of the war’s impact on the formation of tax revenues include

– an objective reduction of the existing tax base, primarily national taxes due to the loss of territories, natural and material resources, human capital, etc;

– impact on the markets of resources/goods (in particular, foreign currency), usually due to rising prices, which produces changes in the structure of the latter and, accordingly, in the indirect tax base;

– changes in tax policy (respectively, tax legislation) to support national economic entities – taxpayers in force majeure circumstances;

– new variations in the behavior of dishonest taxpayers, their abuse of the opportunity to obtain additional income, redistribution of capital without fulfilling tax obligations and, as a result, quantitative and qualitative changes in the structure of the shadow economy;

– improvement, not always justified and productive, of the procedures for managing and administering tax payments by the controlling authorities, etc.

Tax revenues are a source of income for budgets of different levels, so it is important to objectively assess the real beneficiaries of tax innovations. The overall decrease of UAH 110.6 billion in tax revenues in 2022 compared to 2021 is entirely attributable to the State Budget of Ukraine. Its losses amounted to UAH 157.4 billion, in contrast to local budgets, which, on the contrary, saw an increase in tax revenues of UAH 46.8 billion. The

single tax accounted for UAH 0.9 billion of this increase (calculated according to [33]). At first glance, this is an insignificant amount on a national scale. But it reflects the effectiveness of legislative innovations in the field of taxation during the war.

Amendments to the Tax Code of Ukraine, in particular with respect to local taxes, affected Section XX “Transitional Provisions” of the Tax Code of Ukraine, which set out specifics (benefits) for taxation of real estate other than land plots. These amendments provide for temporary benefits related to the martial law in Ukraine, which are valid until the termination or lifting of the martial law.

One of the amendments concerns the determination of the start and end dates of active hostilities or temporary occupation. According to the amendments to the Tax Code established by Law No. 2142–IX, the list of territories where active hostilities are/were conducted or temporarily occupied by the Russian Federation is now determined by the Cabinet of Ministers of Ukraine, and not by the Order of the Ministry for Reintegration of the Temporarily Occupied Territories of Ukraine. This eliminated misunderstandings between the tax authorities and the latter [39].

Another change concerns the period for which the tax on non-residential property in the territories of active hostilities or temporarily occupied territories is not paid. According to the amendments introduced by Law No. 3050–IX, starting from January 1, 2023, such tax shall not be paid from the first day of the month in which the date of the beginning of active hostilities or temporary occupation is determined until the last day of the month in which such events are completed [40].

These amendments regulate the transitional period for property taxation in connection with martial law, thereby affecting the tax practice with real estate in certain territories of Ukraine.

Practice shows that many taxpayers who, before the entry into force of Law No. 3050–IX, filed corrective tax returns in accordance with Law No. 2142–IX, received decision notices from the tax authorities that increased their tax liabilities. This effectively canceled the possibility of receiving benefits. Law No. 3050–IX stipulated that tax assessment notices issued and sent in 2022 and 2023 that did not provide for the accrual and payment of tax would be canceled, and the monetary liabilities and tax debt determined by the controlling authority would be canceled. However, notwithstanding this provision, taxpayers may still appeal to administrative and/or court instances to challenge previously issued tax assessment notices.

In times of war, budget expenditures grow faster than budget revenues, which increases risks to financial stability. Thus, in such a situation, the main task of the authorities is not to disperse financial resources, but rather to focus them on important, priority areas of ensuring the country's defense capability, humanitarian and social programs to support temporarily displaced persons, and other priority measures. To address the issue of budget revenues, on July 9, 2022, the Verkhovna Rada of Ukraine amended the State Budget of Ukraine and increased expenditures by almost UAH 81 billion, most of which are allocated for pensions, assistance to IDPs and subsidies. It is planned to balance the expenditures at the expense of external and internal borrowings in the amount of UAH 79.4 billion, as well as other revenues from the European Union in the amount of UAH 1.5 billion

The war has been, is, and will remain an obvious force majeure factor affecting Ukraine's financial system, including its budgetary component. At the same time, the issue of ensuring tax revenues to the country's budget, which in the conditions of war are the financial basis for the formation of an appropriate level of its defense capability, is acute. The comparative analysis of the indicators of tax revenues of the budget of Ukraine at different stages of Russia's military aggression allowed to identify the most significant vectors of the war's influence on their formation: an objective reduction of the existing tax base; impact on the pricing processes in the commodity and capital markets; changes in tax policy (legislation); new variations of taxpayers' dishonest behavior; not always reasonable and productive improvement of the procedures for managing and administering tax payments by controlling organizations.

The main beneficiaries of the quantitative changes in tax revenues due to the war were territorial communities, primarily in the rear regions, whose budgets are filled with personal income tax, single tax and property tax. However, in our opinion, this situation is short-term. This should force local governments to revise their economic development strategies from the standpoint of increased responsibility for self-financing their respective needs by maximizing their internal resource potential.

In our opinion, the national authorities cannot avoid changes in tax policy. An acceptable innovation from the point of view of the need to combine the growth of the fiscal burden with an adequate perception of it by the society may be the introduction of a target surcharge of 2–3% to the basic VAT rate.

The analysis of the current tax policy in Ukraine, its formation and development allows us to conclude that it has serious shortcomings.

The main problems of tax policy that significantly affect national production include [41]:

- frequent changes in the taxation system negatively affect the development of production entities, do not allow enterprises to function normally, introduce new technologies and produce competitive products;
- the system as a whole is too cumbersome, and the calculation of individual taxes is unnecessarily complicated;
- shifting the tax burden to a narrower sector and range of taxpayers;
- turning the tax system into a factor that suppresses economic growth and investment activity, encourages tax evasion and capital flight abroad;
- significant uneven distribution of the tax burden due to the existence of various tax evasion schemes;
- corruption in tax relations;
- lack of sufficient legal guarantees for participants in tax relations.

The problems identified in the national production sector are very significant and indicate that the current tax policy is imperfect and inefficient, and that it only increases financial requirements for enterprises and complicates their financial and economic activities, not to mention the fulfillment of tax obligations. Obligations to the state. All of this is a prerequisite for the transition of national production entities to the shadow sector, which affects the state and its fiscal system.

The harmful impact of the shadow economy is determined by the fact that it affects all stages of production, distribution and redistribution of resources, deforms the basis of fair competition, reduces revenues to budgets of all levels, and is a fertile source of corruption. We believe that the main goal of Ukraine's tax policy should be to stimulate economic development and stabilize national production [41].

Tax policy should ensure, on the one hand, the establishment of optimal taxes that will not hinder the development of production, and, on the other hand, ensure that the budget receives sufficient funds to meet state and local needs. Currently, politicians use the tax system to “patch holes” in the budget, rather than as a factor of state influence on expanding production opportunities and increasing people's welfare.

The existing problems of the tax policy in the national production sector of Ukraine should be addressed:

1) through the consistent implementation of the strategic goals of reforming the tax system of Ukraine, namely: increasing the competitiveness of domestic production; legalization of the shadow sector; intensification of investment processes in the economy; development of simple and understandable tax rules for business entities;

2) by unshadowing the economy and fighting corruption in the tax administration system; by implementing a set of incentive measures that include: reducing tax pressure, ensuring an even distribution of the tax burden;

3) establishing incentives that stimulate national production with clearly defined national production with clearly defined time parameters;

4) creating favorable conditions for the development of national production.

Therefore, an effective tax policy should be created to ensure that the state budget receives stable and uniform tax revenues, and that national production develops and stabilizes. After all, by accumulating significant financial resources with the help of tax revenues, the state thereby stimulates the development of national production.

The issue of the impact of tax policy on the stabilization of modern production in the national economy is quite problematic. Today, tax policy is used as the predominant tool for realizing fiscal interests, which provokes the destruction of the country's economic potential. Given the current economic conditions, it can be argued that one of the priorities of tax policy in the future should be to create favorable conditions for the development and stabilization of national production. This necessitates a fundamental change in the guidelines of tax policy in Ukraine.

The main principle of the tax policy should be to focus on the voluntary payment of taxes by business entities and to ensure equal conditions for production activities. In order to implement the priorities of tax policy development, it is necessary to implement a set of incentive measures, including: reducing tax burden, stimulating innovation, promoting small business, and increasing the fiscal efficiency of taxes by expanding the tax base. These measures can be implemented, first of all, by eliminating the main negative features of the current tax policy [28].

Supporting business as a key factor in the growth of the state's economic stability remains important, which also contributes to effective counteraction to the attacker. In the future, it is necessary to promptly deregulate and update state policy in the tax and customs areas. After

Ukraine's victory, a significant reduction in the administrative and tax burden on business will help to concentrate funds in circulation and create resources to overcome post-war challenges

Given the obvious threat to the country's independence and the need to ensure the survival of the national economy, society welcomed the expansion of tax benefits for some taxpayers and patiently endured the hidden but financially painful increase in fiscal pressure on others. However, this attitude toward the state's fiscal policy measures is unlikely to continue after the end of martial law. We believe that the factor of the war that has ended will act in the opposite direction. Therefore, the development of scenarios for the formation of future tax revenues of the Ukrainian budget depending on the capacity and expected duration of the war remains an important scientific and practical task today.

Conclusion. In the context of transformation of the economic system and establishment of market relations, the State's influence on socio-economic processes becomes indirect and is realized through the implementation of budgetary and tax policy. State revenues, their formation, distribution and use are an instrument of the economic and financial policy of the state and a component of the mechanism of budgetary and tax regulation of the economy; effective functioning of the state in the context of the formation and development of market relations is impossible without a reliable system of formation of revenues of the state and local budgets.

A tax is one of the ways to generate budget revenues, one of the forms of economic relations for the distribution and redistribution of gross domestic product in accordance with the needs of financing budget expenditures and state regulation of economic processes.

The factors that affect the amount of tax revenues to the budget include macroeconomic factors that change from year to year, such as GDP, balance of payments structure, legislative framework, etc., as well as microeconomic factors, such as the choice of taxation regime by companies, the right of business entities to receive tax benefits, the level of profitability of companies, etc.

Taxes are a necessary part of economic relations in society and are the main form of government revenue and an equally important lever of the government's economic influence on social production. In an unstable economic environment, the problems of generating sufficient budgetary resources and ensuring their efficient use become particularly acute. One of the most important items of state budget revenues is tax revenues.

According to Article 9 of the Budget Code of Ukraine, tax revenues are national taxes and duties and local taxes and duties established by the laws of Ukraine on taxation.

Thus, we can say that analyzing the mechanism of Ukraine's tax policy in the conditions of war, one of the main transformations was the change in the priorities of policy functions. Before the war period, the fiscal component of the policy prevailed, which made the regulatory and incentive functions less of a priority.

The events of the last year have led to changes that were implemented to protect the national business sector, the domestic market, and support the overall economy of Ukraine.

Since the outbreak of full-scale war, the Ukrainian government has taken steps to support domestic business, simplify the business environment, remove barriers and optimize the redistribution of financial resources. Most of the measures are aimed at providing support to the business sector and creating optimal conditions for its operation.

The importance of tax revenues is growing not only in the formation of the state's financial resources, but also in the context of a decrease in the effectiveness of state regulation of the economy by imposing direct prohibitions and directives, the public administration system is gradually reorienting to the use of indirect methods, including tax methods of regulating the economy. The essence and role of budget revenues should be considered as a single, inseparable socio-economic process of distribution, use and reproduction of public financial resources.

The main aspect of ensuring the sustainability of the sector's tax policy is to maintain the efficiency of the system, which resists negative influences that can seriously undermine economic processes. The main goal of the tax system is to develop an optimal strategy and tactics for implementing tax policy that would ensure the effectiveness of its instruments and the formation of a stable system. Research that focuses on the issues of maintaining the sustainability of the tax system in the current reality is extremely relevant for the economic stability of the country.

Under martial law, society, the government, and all branches of power were united in an unwavering commitment to protecting Ukraine's independence, territorial integrity, and freedom, as well as in making timely, decisive, and well-founded management decisions aimed at easing fiscal pressure, maintaining the stability of the financial system, efficiently distributing and redistributing GDP, and changing priorities in the use of the

state's financial resources. This made it possible not only to keep the situation under control, but also to reformat the economy to meet the needs of martial law, change financial policy, state and local budgets, and direct financial resources to confront current challenges and address priority tasks. The next step should be to strengthen financial stability, use the potential of financial resources to restore the country's economy, and ensure sustainable dynamics of Ukraine's socio-economic development.

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Chapter VII

THEORETICAL AND PRACTICAL ASPECTS OF UKRAINIAN INSURANCE SYSTEM'S INCLUSIVE DEVELOPMENT IN THE CONTEXT OF EUROPEAN INTEGRATION

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Introduction. A distinctive feature of a modern, highly developed society is the formation of an inclusive environment in all spheres of human activity. An inclusive environment provides free access to the benefits of civilization, and inclusion is rightly considered an effective tool for achieving sustainable economic growth.

A systematic approach to the process of forming and developing an inclusive space includes financial inclusion. The United Nations and the World Bank define financial inclusion as meaning that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable manner [1]. Financial inclusion has been identified as an enabler for 7 of the 17 Sustainable Development Goals [2]. The need to ensure the quality and dynamics of economic growth of the Ukrainian economy necessitates the formation of an inclusive environment in the financial system as a whole and in each of its components.

The transformation of Ukraine's financial sector that has been taking place in recent years is largely aimed at increasing financial inclusion. The need to attract a wide range of potential consumers to the financial services market and, accordingly, to increase the number of users of financial products, as well as to expand the range of products purchased by an individual user, is recognized throughout the world and has become a prerequisite for economic growth and social progress in Ukraine.

The inclusive orientation of the financial market development places new demands on the insurance sector. The formation of an inclusive environment in the insurance sector involves removing existing barriers and

obstacles for potential consumers of insurance services, creating conditions for their inclusion in insurance relations, and changing the value system of insurance market participants and raising the level of insurance culture. The realization of these tasks is based mainly on scientific and technological progress, improvement of the material and cultural level of all segments of the population, and innovative management. Science, innovations and new technologies are designed to accelerate the formation of an inclusive environment in the insurance market and contribute to the improvement of qualitative and quantitative economic and social indicators of social development.

Financial inclusion and the insurance market are two important components of a modern financial market that are essential for the well-being of the nation. Ukraine, like many other countries, faces challenges and tasks to ensure citizens' access to insurance services and increase the level of financial literacy. In the light of the difficult economic and political situation caused by the Russian-Ukrainian war, it is extremely important to consider the issue of financial inclusion in the insurance market and to look for ways to overcome the challenges that arise in this context.

Literature review. The issues of inclusion and creating conditions for its implementation have been and remain the subject of theoretical research, applied developments and recommendations. In scientific research, the concept of inclusion and the environment in which it should be implemented are considered mainly in the pedagogical, social and psychological paradigms. However, in recent years, more and more attention has been paid to the place and role of inclusion in the financial system.

“Inclusion” is a new term that entered the national vocabulary in the late twentieth century [3]. In 1948, the United Nations adopted the Universal Declaration of Human Rights, which proclaimed that human rights do not depend on sex, color, nationality, religion, etc. [4]. All independent countries, including Ukraine, have enshrined these rights in their constitutions. In particular, Article 23 of the Constitution of Ukraine states: “Everyone has the right to the free development of his or her personality, provided that the rights and freedoms of other people are not violated, and has duties to the society in which the free and comprehensive development of his or her personality is ensured”; Article 24: “Citizens have equal constitutional rights and freedoms and are equal before the law”; Article 28: “Everyone has the right to respect for his or her dignity” [5].

Inclusion and an inclusive approach to development and governance, according to researchers, are the ones that best reflect the conceptual framework of sustainable development and are rightly considered an effective tool for achieving sustainable economic growth [6, p. 28].

Inclusion as a state of involvement implies a person's interest in certain activities and processes, active participation in these processes, and the effectiveness of these actions. Depending on the circumstances, a person's involvement in activities and processes as a response to what is happening in a certain environment may have different degrees of intensity.

In the economic context, the term "inclusion" has been used to refer to inclusive growth, i.e. growth that involves a significant share of the country's labor force through equal opportunities to access markets, resources and an unbiased regulatory environment for all legal entities and individuals [7, p. 4].

International standard-setting bodies and national policymakers, including financial regulators, pursue the primary goals of financial stability, financial integrity, and consumer protection.

International standard-setting bodies (SSBs) and national policy makers – including financial regulators – pursue the core objectives of financial stability, financial integrity and financial consumer protection. The G20 leaders have recognized and endorsed financial inclusion as a pillar of the global development agenda, and have called upon five global standard-setting bodies (SSBs) – the Basel Committee on Banking Supervision (BCBS), the Committee on Payment and Settlement Systems (CPSS), the Financial Action Task Force (FATF), the International Association of Deposit Insurers (IADI), and International Association of Insurance Supervisors (IAIS) – to step up their work in this area, consistent with their core mandates. At the same time, numerous countries have introduced financial inclusion as a domestic policy objective [8, p. 4].

World Bank experts in their study "Financial Inclusion and Inclusive Growth. A Review of Recent Empirical Evidence", characterize financial inclusion as access to and effective use of a range of appropriate financial services provided in a well-regulated environment that ensures the protection of financial consumer rights for adults [9, p. 2–3].

Financial inclusion is considered by A. Atkinson and F. Messy as a process of promoting timely and adequate access to a wide range of financial products and services, as well as expanding their use by all segments of society through the introduction of special existing and innovative

approaches, including financial awareness and education, to promote financial well-being, as well as economic and social inclusion [10, p. 11].

Ukrainian scholars K. Anufrieva and A. Shkliar define financial inclusion as a process of “interaction between financial market participants and consumers of financial services, which, by providing equal access to financial services, ensures a level of participation of financial service consumers in the financial system that, by ensuring the sustainability of financial institutions, contributes to social development” [11, p. 66].

K. Kraus, N. Kraus, and H. Pochenchuk consider financial inclusion as a process of creating conditions for attracting all segments of the population and business to use a variety of financial services that are affordable in terms of infrastructure and price, officially regulated and meet the needs of the population in order to stimulate economic growth and reduce social inequality in society [12, p. 25].

From the point of view of S. Didenko, financial inclusion is the process of promoting affordable, timely and full access to a wide range of financial products and services, spreading their use among all segments of society through the introduction of existing and innovative approaches, including financial literacy and education, in order to promote both financial well-being and economic and social inclusion [13].

The various definitions of financial inclusion generally boil down to the statement that the term means improving effective access to financial services for those who do not have it [8, p. 7].

A separate area of research is the study of the specifics of the formation of an inclusive environment in various spheres of human activity. In particular, the scientific work of M. Andreieva is devoted to the conceptualization of the concept of “inclusive environment” and its study from the point of view of building a society of equal opportunities [14]. The author characterizes the current trends in building an inclusive environment in Ukrainian society in the context of European integration and argues that in a society of equal opportunities, “an inclusive environment can be considered a natural environment” [14]. According to D. Palatna, an inclusive environment is “a person’s environment that provides conditions for the inclusion of all persons, taking into account their diversity, in the spheres of society by eliminating any barriers” [15].

An inclusive financial sector environment generally means a set of conditions that facilitate the involvement of the general population in the financial services market through their accessibility to retail consumers and

satisfaction of individual interests [16]. Such an environment generates interest among potential consumers and encourages them to actively use financial products, as well as provides grounds for realizing the benefits of such actions. N. Zakharchenko describes an inclusive financial system as one in which people live not outside it, but in it, thanks to awareness, the availability of certain knowledge and skills, and their active use [17].

The issue of accessibility and expansion of opportunities to use high-quality modern financial products remains particularly relevant for insurance market participants.

In our opinion, insurance inclusiveness is determined by the ability to protect all categories of potential insurers from risks through insurance protection mechanisms, as well as the ability of participants in insurance relations to receive benefits from insurance. At the same time, insurance inclusiveness is an indicator of the availability of insurance services to the population, as well as the demand for these services [18, p. 126].

Financial inclusion was reaffirmed by the IAIS in its 2022–2023 Roadmap as a strategic theme. Its importance has significantly increased with the pandemic: On the one hand the accelerated digitalisation trend, also in insurance, has opened a vast variety of opportunities for financial inclusion products, services and markets. On the other hand, the pandemic and other man-made disasters have exacerbated the need for the most vulnerable and underserved to gain access to insurance [19].

Results. The insurance market is constantly changing under the influence of social, economic and political factors, but its fundamentals remain unchanged. The demand for insurance coverage is largely dependent on behavioral factors, as well as the traditions and culture of a given society.

Despite certain positive developments in the Ukrainian insurance market in recent years, its development indicators do not meet the requirements of the times and indicate a low level of inclusiveness. In particular, the level of insurance penetration in the country's economy is too low: over the past decade, the volume of net insurance payments in the country's GDP structure has averaged just over 1.0% (Figure 7.1). The value of this indicator is characterized by a clearly pronounced negative trend and is several times lower than the values of similar European and global averages, which are 5.0% and 6.1%, respectively [20, p. 6].

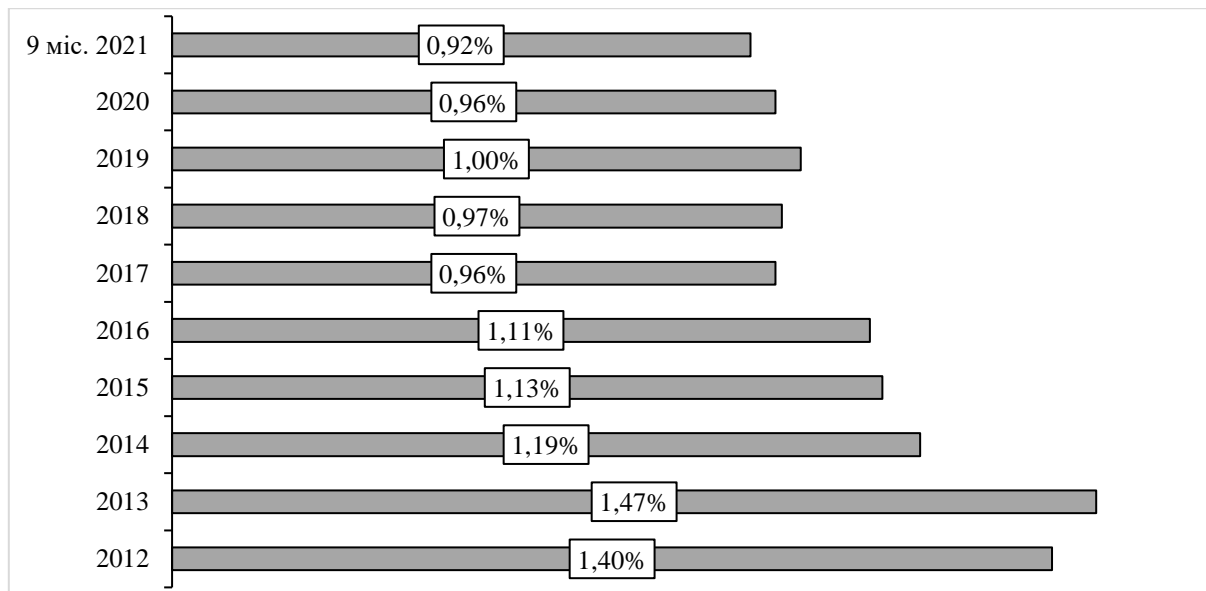


Figure 7.1. Dynamics of penetration rate of insurance in Ukraine in 2012 – 9 months 2021, %

Source: Built by the author based on [21; 22].

Another significant feature of the domestic insurance market that demonstrates the insufficient level of inclusive orientation of its development is the low level of life insurance coverage. Premiums for this type of insurance average 0.1% of GDP. Even the rather high growth rates of life insurance premiums observed in recent years have not ensured their predominance in the overall structure of insurance revenues. According to official statistics, in 2020, the share of life insurance in total net insurance premiums reached its highest level in the last decade and amounted to only 12.4% (in 2012, it was 8.9%) (Table 7.1).

This indicates an increase in demand for endowment insurance services and, at the same time, points to a significant potential for its development. The share of premiums received under this type of insurance in economically developed countries usually accounts for more than half of all insurance revenues, and sometimes reaches more than two-thirds of them. The vast majority of such countries use life insurance as an effective tool for generating savings for individuals, including for accumulating funds for retirement [23]. Undoubtedly, this is due, among other things, to the high standard of living of the population and the sufficiency of citizens' cash income to generate savings, including through life insurance. The positive dynamics of development of this sector of the insurance market in Ukraine also gives some grounds for optimism. After all, the number of citizens of

the country who have shown confidence in insurance companies and buy life insurance policies is growing every year. As of the end of 2020, there were about 5.8 million people insured under life insurance contracts, which is 1.64 million more than in 2012 (Figure 7.2). However, their share in the total population remains quite low: only about 14% of the country's population is protected by property interests related to life and death and can use the accumulated funds.

Table 7.1. Indicators of development of the insurance market of Ukraine in 2012–2020

Indicators	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net insurance premiums, mln USD, including:	2537.9	2697.3	1563.7	1023.6	1035.8	1071.2	1265.6	1531.4	1496.7
life insurance.	226.5	310	181.6	100.1	107.9	109.5	143.6	178.9	186.1
Share of life insurance in total net insurance premiums, %.	8.9	11.5	11.6	9.8	10.4	10.2	11.3	11.7	12.4
Net written premiums per person, USD, including:	55.7	59.4	36.4	23.9	24.3	25.2	30	36.5	36.0
life insurance.	5	6.8	4.2	2.3	2.5	2.6	3.4	4.3	4.5
Level of net insurance claims, %, including:	24.4	21.2	26.3	34.0	32.3	36.0	36.1	35.5	35.8
life insurance.	4.5	6.0	11.1	22.5	15.2	19.1	18.0	12.5	12.1

Source: Built by the author based on [22; 24; 25].

A significant challenge to the inclusive development of the insurance market is the extremely low level of insurance culture in Ukraine. Until now, a part of the country's population does not see the need to insure their own lives or the lives of their loved ones, and does so only in extreme cases when the situation requires it (for example, by concluding life insurance contracts for consumer loan borrowers, health insurance for crossing borders, etc.) The results of a survey conducted under the USAID Financial Sector Transformation Project show that only 9% of respondents indicated that they or their family members use insurance services, while in the member countries of the Organization for Economic Cooperation and Development,

40% of citizens use insurance services [26]. It is worth noting that such subjective consumer sentiment is often shaped by distrust of financial institutions and the system as a whole, which, according to K. Gruber, is a key prerequisite for inclusion in financial relations [27, p. 421]. For decades, consumers have lived with the belief that “all insurers don’t pay”, and insurance experts believe it will take time for this to change [28].

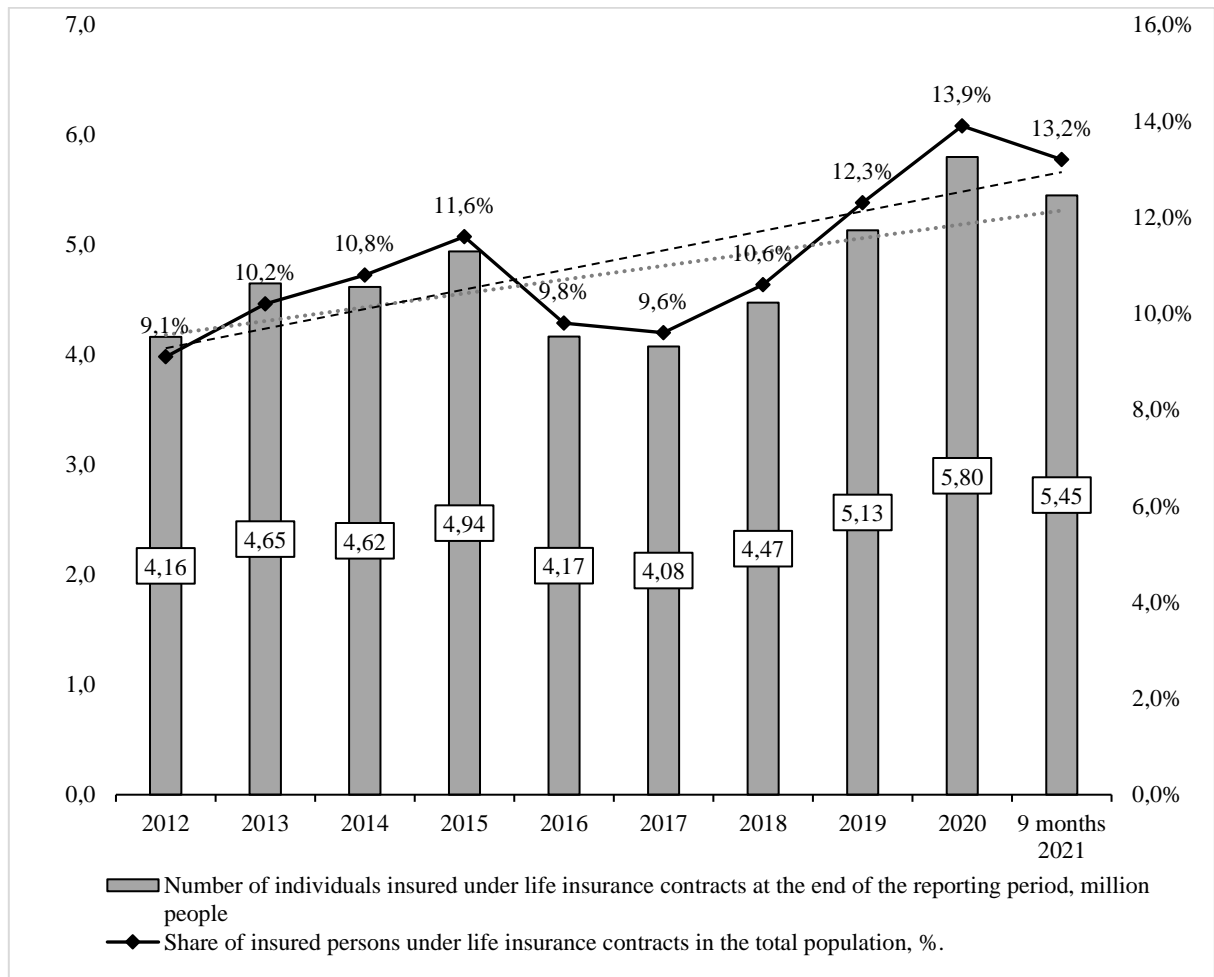


Figure 7.2. Dynamics of the number of individuals insured under life insurance contracts at the end of the reporting period in Ukraine in 2012 – 9 months 2021

Source: Built by the author based on [22; 24].

An indicator that affects consumer confidence in insurance products offered on the market is the level of insurance payments. Factors that can affect sales activities may be: experience in the life insurance market, which affects customer confidence in the insurer; the volume of insurance payments, which causes the effect of “massive interest” on buyers; the amount of insurance payouts under life insurance contracts and in the event

of an insured event affecting the financial interest of clients; the dynamics of the number of insured in the company, causing a positive relationship between clients and the insurer [23].

In recent years, the dynamics of this indicator has been characterized by positive trends, and in 2017–2020, its overall value in the insurance market remained at around 36%. In 2020, as in previous periods, high levels of net insurance payments were recorded for such types of insurance as loan insurance (including borrower liability for loan default) – 83.9%, health insurance (continuous health insurance) – 53.9%, compulsory motor third party liability insurance – 47.4%, motor third party liability insurance (CASCO) – 45.1%, etc. An increase in the level of insurance payments for all other types of insurance would significantly help to increase the level of confidence of Ukrainians in the insurance segment of the financial market. Insurance market participants (intermediaries, emergency commissioners, employees of insurance companies, etc.) should make efforts to create an environment of trust, and trust is the most important prerequisite for the development of an insurance culture in Ukraine.

The dynamics of the insurance density indicator, which is determined by the volume of insurance premiums per capita, is evidence that insurance is still not widely used among Ukrainians. During 2012–2020, the values of this indicator were low and ranged from USD 59.4 to USD 23.9. USD to 23.9 USD per capita. USD per capita. This is due to both exchange rate fluctuations and changes in demand for insurance consumption due to worsening material security as a result of socioeconomic instability in the country. As of the beginning of 2021, net insurance premiums per person amounted to USD 36.0. USD. However, none of these values of the density indicator meets the requirements for the effective development of the insurance market, and research by international analysts confirms that our country ranks last in global rankings by this indicator. For example, in 2018, Ukraine ranked 73rd in terms of risk insurance density and 82nd in life insurance among 88 countries [20, p. 7]. Our calculations do not give grounds to assert that the situation in this area of insurance market development has improved. At the same time, they identify the need for wider use of insurance as a risk financing mechanism and an effective insurance protection tool.

In order to overcome the backlog of indicators that allow assessing the inclusive orientation of the insurance market and its role in ensuring social progress, great importance is attached to the issues of financial literacy of

the population. The lack of financial knowledge and general information about the rights and obligations of consumers of insurance products causes reluctance to use the latter as a tool for protection, preservation of savings and improvement of well-being.

Improving the level of financial literacy of the Ukrainian population requires efforts from both financial market participants and public authorities, primarily through the implementation of a consistent state policy in this area. Coordination of actions by government agencies, local governments, educational institutions, public and private organizations involved in implementing various initiatives and innovations in financial education, and financial institutions will help create favorable conditions for strengthening public confidence in the insurance sector, increasing insurance revenues, and using the financial potential of insurers as powerful institutional investors in the Ukrainian economy. The knowledge of potential consumers of insurance services about the capabilities of the insurance industry and their understanding of the practical benefits of insurance will help to increase the level of coverage of all segments of the population with insurance services and to more fully utilize the financial potential of the domestic insurance market. It is worth noting that increasing financial literacy was defined as one of the strategic goals of Ukraine's financial sector development by 2025, the achievement of which is aimed at ensuring financial inclusion. Despite the termination of this strategic document in August 2023, due to the need to respond to the challenges caused by the Russian-Ukrainian war, the new Financial Sector Development Strategy of Ukraine [29] approved by the National Bank of Ukraine, the Ministry of Finance of Ukraine, the National Securities and Stock Market Commission, and the Deposit Guarantee Fund also pays special attention to financial literacy. This document sets out current priorities and goals for the development of the financial sector, focusing on resisting Russian aggression and rebuilding the country, and states the need to continue the technological development of financial services as a prerequisite for further expanding financial inclusion and ensuring cybersecurity.

It should be noted that the situation in the Ukrainian insurance sector was negatively affected by the decline in business activity and the decline in the financial well-being of the population due to the coronavirus crisis. The lack of funds of business entities and individuals led to a decrease in demand for some insurance products. Due to the quarantine restrictions and

the restraints on social and economic life, numerous industries, such as tourism, hospitality, restaurants, trade, and others, have suffered serious losses. This led to a significant decrease in demand for insurance in these areas. On the other hand, insurance companies have had to make increased life and health insurance claims due to the growing number of COVID–19 cases. This created additional financial pressure on insurance companies as they had to pay out insurance claims on a regular basis.

In addition, a large number of people lost their jobs or experienced financial difficulties due to the crisis, which also led to a decrease in the ability of consumers to pay insurance premiums. Many of them were looking to save money and had to stop their insurance. In these circumstances, insurance companies began to review their business strategies and look for innovative solutions.

However, an analysis of the insurance market suggests that the pandemic has opened up new opportunities for its growth and consolidated positive shifts in the insurance paradigm in general. Such a positive factor was an increase in consumer awareness of insurance, the benefits and value of insurance products in providing insurance coverage, as well as “a significant increase in risk awareness as a strong driver of demand” [16, p. 1]. In particular, there is a growing interest in such types of insurance as those aimed at protecting against the risks of health and disability due to illness, cyber risks, etc. At the same time, the situation during the COVID–19 pandemic is prompting insurers to develop new insurance products that will provide insurers and insureds with adequate protection. After all, the growth in demand for insurance services will only occur if insurers are ready to provide quality and relevant products in volumes that meet the needs of consumers.

Research by domestic and foreign scholars on the determinants of financial inclusion proves that there is a direct correlation between the level of economic development of a country and the level of financial inclusion of the population. In particular, the results of research by Olaniyi E. and B. Adeoye [31], O. Okoroafor, S. Adeniji and E. Awe [32] show that the higher the country’s GDP per capita, the higher the financial inclusion. Similarly, according to the researchers, “broad money”, loans to the private sector and the number of Internet users have an impact on financial inclusion in the country.

Insurance service providers, both in the global and Ukrainian insurance markets, had high hopes for the post-pandemic economic

recovery, making the reduction of insurance coverage gaps an economic policy goal [33, p. 3]. However, now the national economy of Ukraine and its insurance sector are facing new challenges and threats that negatively affect their development indicators. Russia's open military attack on our country is causing unprecedented losses and economic decline. For the insurance market, the risks posed by the war include "direct underwriting losses, rapid price increases, slower economic growth, financial market volatility, and the potential for asset shocks" [34].

Given that poverty and low economic growth are direct consequences of financial exclusion, Russia's aggression against Ukraine has a negative impact on the availability of insurance services.

In the context of Russia's invasion of Ukraine and the introduction of martial law in Ukraine, problems arise with the organization of insurance claims settlement. Due to hostilities, occupation of territories, massive displacement of the population, destruction and destruction of real estate, it is impossible to inspect the insured objects, obtain and properly execute original documents to be submitted to the insurer for the purpose of receiving insurance payments, call the police to the scene of road accidents, etc.

Due to displacement, temporary seizure of territories, and physical destruction of real estate, the number of insurer customer service centers is decreasing. The organization of insurance claims settlement in the regions where hostilities are taking place, vehicle inspections, obtaining and properly executing original documents to be submitted to the insurer for the purpose of receiving insurance payments, calling the police to the scene of an accident, etc. are problematic.

The negative effects of the war on the development of the insurance business were revealed by the decline in key insurance performance indicators starting from the first months of the military invasion. According to analysts, total written premiums in the first half of 2022 decreased by almost a third (-28%) compared to the first half of 2021 and amounted to UAH 17.8 billion, with the decline in volumes mostly occurring in the non-life segment (-29%), while life insurance premiums decreased by half (-15%). In the first half of 2022, 44% of insurance premiums traditionally accounted for motor insurance (compulsory motor third party liability insurance, Green Card, CASCO) – during the period of military aggression, the share of these types of insurance in the portfolio became more significant (36% in the same period last year) [35].

The volume of paid insurance claims/reimbursements in the first half of this year also fell proportionally in the non-life segment (–32%) [35]. The main impact on the decrease in insurance claims was a decrease in the frequency of reported cases under compulsory motor third-party liability insurance, CASCO.

According to the information provided in the annual review of the Ukrainian insurance market, the total amount of gross insurance premiums in 2022 decreased to UAH 39.6 billion, with insurers receiving UAH 24.6 billion from individuals. Gross risk insurance premiums decreased by 8% in the fourth quarter, while life insurance premiums increased by 9% in the quarter. Overall, in 2022, life insurance premiums decreased by 17% and risk insurance premiums by 21%. Net insurance premiums decreased to UAH 38.6 billion. Net insurance premiums earned amounted to UAH 34.9 billion. Premiums written amounted to UAH 38.7 billion.

Insurance payments by insurers remained almost unchanged for the quarter, with payments totaling UAH 13 billion for the year, including UAH 7 billion paid to individuals. In general, payments under life insurance contracts increased by 7% over the year, while payments under risk insurance contracts decreased by almost a third. The level of payments amounted to 33%.

In 2022, the share of motor insurance premiums increased by 10 pp to 49%. In particular, the volume of Green Card premiums more than doubled year-on-year, while payments increased by almost a third. At the same time, property and financial risk insurance premiums fell by more than half, and their payments decreased by 62%.

The total assets of insurers in 2022 amounted to UAH 70.3 billion (Figure 7.3). Life insurers' assets increased by 3% in Q4, and by 18% to UAH 20.6 billion for the whole of 2022. The assets of insurers engaged in risky types of insurance slightly decreased during the quarter, but increased by 6% for the year as a whole to UAH 49.7 billion.

An analysis of the data provided by the National Bank of Ukraine on the insurance market under martial law reveals the following main problems: a decrease in customer activity; loss of relevance of retail insurance contracts; and an increase in the tendency to defer payments and refuse to enter into insurance contracts among the client base of insurance companies.

Issues related to the organizational aspects of insurance companies' operations during martial law include difficulties related to personnel (i.e.,

access to office space and original data, documents and agreements) and restrictions affecting the functioning of these companies (e.g., transition to online mode due to increased insecurity and a corresponding decrease in customer flow, which is consistent with the circumstances of martial law).

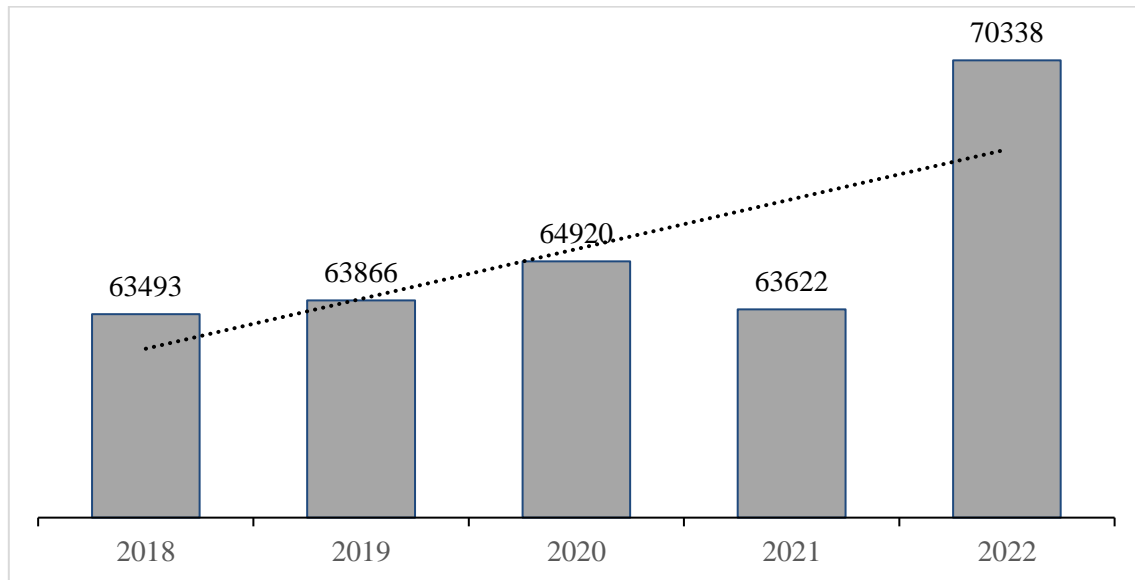


Figure 7.3. Total assets of insurers in 2018–2022, UAH million

The already low level of insurance penetration, which is primarily due to the passive purchasing behavior of potential consumers, driven by low financial standing, distrust of insurance companies, and a low insurance culture, is likely to decline further. After all, significant losses incurred by insureds as a result of military operations will not be covered by insurance, even if property and other assets are insured. This is because standard insurance contracts used by Ukrainian businesses and individuals exclude insurance coverage against war risks from the list of insured events. It is worth noting that insurance against military and political risks, which is usually carried out under special programs, has practically never been carried out in Ukraine. At the same time, according to experts, not all insurers operating in the country offer such programs, as such insurance is possible only with the support of powerful international reinsurers, and its cost is relatively high [36, p. 10]. Representatives of the insurance business express hope that the damage caused by the hostilities, including the destruction of housing and infrastructure, will be compensated for by “contributions that will be imposed on Russia after Ukraine’s victory” [37]. In addition, according to V. Chernyakhovsky, these payments should be

made at the expense of frozen assets and property confiscated abroad.

Recently, the insurance business, responding to the challenges of today, has been providing insurers with the opportunity to protect themselves against the risks of property losses as a result of war risks by expanding the list of insured events. For example, some insurance companies offer their clients to supplement their motor vehicle insurance contracts with insurance coverage for war risks, such as the explosion of ammunition, mines, bombs, missiles, and other weapons of war, except for nuclear, biological, and chemical weapons. Such additions can be made both for existing contracts and for new CASCO contracts. Insurance coverage of war risks will last for the duration of the CASCO insurance contract [38].

Ensuring adequate protection of the rights of insurance consumers is crucial for financial inclusion in the insurance sector. It is worth noting that the regulator of the non-banking financial services market, whose functions have been performed by the National Bank of Ukraine since July 1, 2020, calls on all market participants to fulfill their obligations to customers in full, as far as possible under current conditions, despite the martial law. Ensuring insurance protection of consumers under the simplified procedure for the settlement of events by insurers in cases with insurance features is made possible through the widespread use of modern digital technologies. In particular, insurers are encouraged to “make maximum use of electronic documents, copies of the necessary documents in case of impossibility or difficulty in obtaining the original documents, and other means of remote settlement of insurance claims” [39].

Innovations play an extremely important role in creating conditions for the development of inclusion in the insurance market and increasing the level of financial inclusion in the insurance sector. This is the direction of development of the Ukrainian insurance market that researchers identify as one of the most promising. After all, modern Ukrainian society is becoming increasingly dependent on continuous and inevitable innovative progress as the dominant way of development, and the ability to innovate is a kind of indicator of the effectiveness of the modern organization of social systems at various levels, which allows for survival and development in the face of increasing rates of social change and increased international and domestic competition [40].

Until recently, insurance was one of those segments of the financial market characterized by a tendency to stick to traditional ways of doing business and slow dynamics of technological innovations and

informatization. However, current challenges and trends have significantly affected the innovative development of the insurance industry. Current trends indicate high innovation activity in the insurance business and the insurance market players' awareness of the priority of innovation and digital transformation.

Digital transformation (digitalization) is defined as the transformation of existing analog (sometimes electronic) products, processes and business models of an organization based on the effective use of digital technologies [41].

The radical change in technology, primarily in the field of the Internet, digital, mobile and social platforms, is leading to significant changes in customer requirements, behavioral patterns and decision-making. This is facilitated by a significant increase in the number of global Internet users and the growth of the Internet services market. According to the International Telecommunication Union, as of the end of 2022, 66% of the world's population, or 5.3 billion people, are Internet users [42]. The level of this indicator grew by 50 percentage points compared to 2005, indicating a growing interest in the Internet. Increased sales of Internet access media, the capabilities of Internet providers, increased Internet speeds, and stabilized traffic are the main factors behind the expansion of the Internet user audience.

Today, government agencies and businesses around the world are moving to large-scale use of digital channels. Almost any possible activity or service (from food and education to civil registration) now has its digital or online equivalent, many of which are demonstrating an impressive speed of implementation. Almost all institutions and organizations are digitizing their service delivery, implementing both online and offline procedures [43].

The proliferation of digital devices for personal and business use, as well as the expansion of digital technologies, are changing consumer behavior patterns in the insurance market. Consumers are increasingly shifting to online interaction and expect that any service should be available in digital form.

For policyholders, the ability to conduct online transactions allows them to take the necessary steps to purchase an insurance product without leaving their homes. At the same time, insurers have the opportunity to increase sales and insurance revenues, as well as reduce their costs. The latter is achieved by reducing transaction costs by simplifying the insurance

procedure, saving on remuneration to agents, brokers or intermediaries, which leads to a reduction in the price of the product, increased profits and increased competitiveness of the insurer. Global practice shows that insurers can reduce their costs by about 9–12% as a result of the introduction of online policy sales [44, p. 46].

According to global experience and domestic practice, digital transformation is changing the fundamental basis of interaction between insurers and policyholders. Digitalization trends involve a significant change in the insurer's traditional business processes as a result of the electronic transformation of insurance products, expanding the use of online services, the use of “connecting things” data, the real use of “big data”, and the use of bots in the ongoing maintenance of insurance contracts and claims settlement.

The online insurance system used by insurers as an alternative to face-to-face meetings with potential customers includes a range of technologies, including an insurance calculator, online payment for the insurance contract, ordering and purchasing an insurance contract online, online consultation, video consultation, and others.

It is worth noting that the reorientation of the insurance industry to a remote electronic format is largely related to and has become especially important during the COVID–19 pandemic and restrictive measures during the lockdown [45, p. 8–9].

Currently, motor insurance (land transport insurance and compulsory motor third-party liability insurance) holds the leading position in the field of digitalization [46]. The Motor (Transport) Insurance Bureau of Ukraine launched the process of digitalization of motor insurance in February 2018 with the introduction of the e-policy system. This innovation made it possible to conclude internal contracts of compulsory motor third-party liability insurance for owners of land vehicles (those operating exclusively in Ukraine) in electronic form. All basic voluntary motor vehicle insurance programs have now been converted to the electronic policy format.

Systemic digital transformation has become a determinant of positive developments in various areas of insurance. However, studies show that insurance companies that provide risky types of insurance have a higher level of digitalization [47]. This is due to both the complexity of life insurance products and the need for potential policyholders to receive advice from insurance company specialists, insurance agents or brokers. Insurance buyers, especially those in older age groups, still want direct face-to-face

contact with other people when making their choices and lacking the appropriate digital skills [48, p. 31].

To ensure the financial inclusion of these and other categories of people, there is an urgent need to promote digital awareness in the country and to teach digital skills to people of different age groups, regardless of the type of settlement where they live. This will contribute to the development of an effective inclusive environment and accelerate financial inclusion, enabling the use and benefit from digital information, products, and services on an equal and fair basis. Effective inclusion, as opposed to expanding the customer base only for profit and economies of scale, is associated with equal opportunities for all segments of the population of different ages, genders, levels of wealth, education, professional prestige, etc., support for the disadvantaged, and the growth of social welfare.

The problem of digital and financial inclusion of rural residents is still relevant not only for Ukraine but also for other countries. According to the International Telecommunication Union, people in urban areas are twice as likely to use the Internet as those in rural areas [49]. Studies show that the COVID–19 pandemic has exacerbated existing digital divides between and within countries related to age, disability, gender, geography, and socioeconomic status. According to experts, “with many essential services pushed online, there is a real and present danger that those without broadband Internet access could be left ever further behind” [50]. Efforts by governments and international organizations are aimed at addressing the problem of bridging the gaps in connectivity and access to the Internet. It is worth noting that the task of expanding access to information via the Internet in all territorial communities of Ukraine, regardless of geographic location, is set out in the State Strategy for Regional Development for 2021–2027 [51]. In particular, the need to provide unimpeded access to high-speed Internet to all settlements and to ensure coverage of all rural areas with fixed broadband Internet access is declared in operational objective 1 “Stimulation of economic development centers (agglomerations, cities)” and operational objective 4 “Infrastructure development and digital transformation of regions” of strategic objective I “Formation of a cohesive state in social, humanitarian, economic, environmental, security and spatial dimensions”.

The Ministry of Digital Transformation of Ukraine is aimed at ensuring the effective implementation of digital solutions and electronic services in many sectors of the country’s economy. Established in

September 2019, this executive body is responsible for the formation and implementation of state policy in the areas of digitalization, digital development, digital economy, digital innovations and technologies, e-governance and e-democracy, development of the information society, informatization, etc. [52]. In order to overcome digital inequality in Ukraine and increase the level of digital literacy of citizens, the National Digital Literacy Program was launched in early 2020, with the creation of the national online platform Diia. Digital Education, where every citizen can learn digital skills for free. According to official information, almost 1.3 million Ukrainians are currently involved in the digital skills development program [53].

Financial inclusion is impossible without the partnership of the state and business, and only in partnership can we ensure growth and sustainability of development. The developed mobile application “Diia” for Ukrainian citizens allows them to store digitized versions of official documents in a smartphone in an electronic format. The unified information system ensures the interaction and exchange of information between all databases that accompany the life of every citizen. One example of such interaction is the display of an insurance policy for compulsory motor third-party liability insurance among other digital documents. Currently, this includes more than 8 million domestic motor insurance policies across the country [54].

Connecting insurance companies operating in the domestic insurance market to the Diia platform developed by the Ministry of Digital Transformation of Ukraine will help them create a higher level of customer service. In this case, customers will be able to conclude contracts without using paper documents. In addition, the establishment of cooperation between insurers and the Diia portal and the use of modern technological CRM systems to manage customer relationships will help improve the process of settling and receiving insurance payments. As of the end of 2021, more than 12 million Ukrainians use the Diia app and portal [55]. Meanwhile, the list of companies, institutions and organizations that have partnerships with the Diia online service includes only two insurance companies – Ekstra Insurance Company and TAS Life Insurance Company.

Inclusive financial technologies play an important role in expanding access to financial services for vulnerable groups, using creative approaches to serve new customers, including through digital insurance platforms that offer micro-coverage [56]. It is worth noting that microinsurance, according

to scholars, is a unique combination of innovations in both underwriting policy and the policy of finding alternative sales channels [57]. The positive experience of its use confirms the effectiveness of this tool (for example, this is stated in the publication by M. El-Zoghbi and L. Michaels [58]). Fintech-driven digital financial services can reduce costs by maximizing economies of scale, increase the speed, security, and transparency of transactions, and provide more tailored financial services that serve the poor. The widespread introduction of microinsurance is extremely relevant for Ukraine. This type of insurance coverage can serve as a means of overcoming distrust of traditional insurance and alienation from insurance among entrepreneurs and the poor, and become a means of improving their insurance culture [59].

Technological solutions and the availability of Internet connectivity allow for greater access to diverse and low-cost insurance products. The most popular technological solutions currently used in insurance include: big data, artificial intelligence and machine learning (20%), time-based insurance (“pay as you drive”) (13%), telematics (13%), insurance for the IoT sector (Internet of Things) (12%), robo-advisors and chatbots (10%), blockchain (4%), etc. [60].

The digitalization of the insurance industry is aimed at creating a modern insurance system designed to meet the interests of citizens, businesses, and the state in a balanced manner. The implementation of this task is complicated by the low level of digital inclusion in the country, the high cost of digital tools, software, computer hardware, and other digital equipment. The process of digital transformation in the insurance business is hampered by the lack of professional digital competencies of insurance company employees, the mismatch between the level of digital skills of insurance consumers, etc.

The need to create the most comfortable conditions for insurance company customers at all stages – from concluding a contract and paying fees to paying out and renewing contracts – requires insurers to further digitalize their business processes. However, the introduction of digital technologies largely depends on success in solving the problems that impede digital trends in the Ukrainian economy as a whole. In particular, experts of the Ukrainian Institute for the Future [41] have identified a number of institutional, infrastructural, ecosystem, and governmental problems of transforming the Ukrainian economy into a digital one that need to be addressed radically (Figure 7.4).

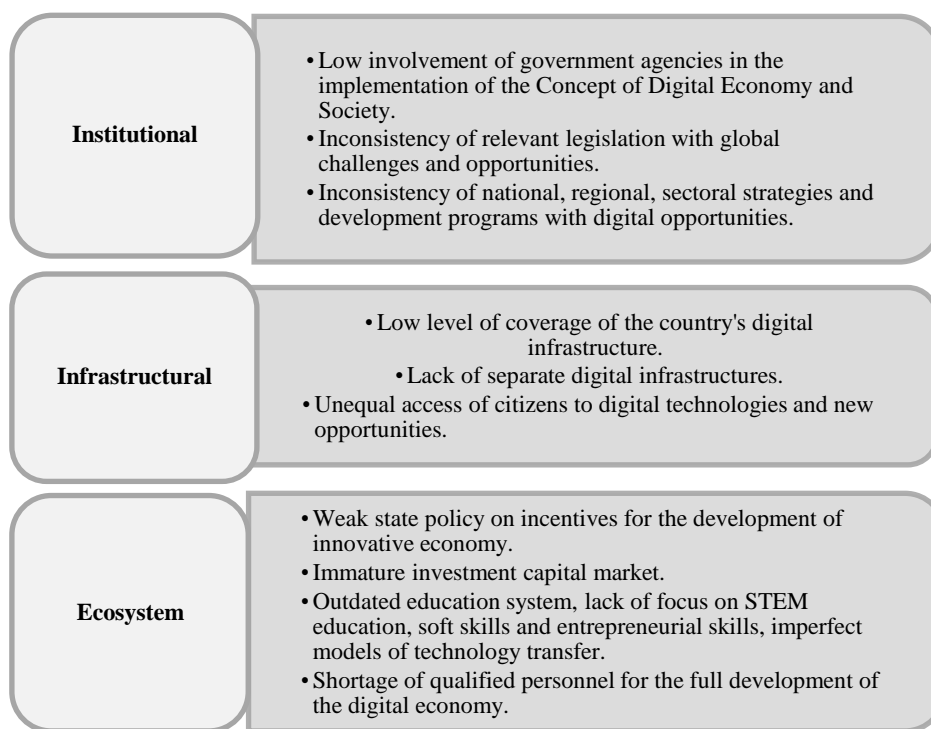


Figure 7.4. Problems that hinder the development of digital trends in Ukraine and the transformation of the Ukrainian economy into a digital one

Source: Compiled by the authors based on the materials of the Ukrainian Institute for the Future [41]

Financial inclusion is possible if all government agencies have an appropriate approach to financial regulation that would give financial institutions more freedom to innovate and target underserved segments of the population [12, p. 25].

The future success of the insurance industry on its way to increasing the level of inclusive development and creating a modern inclusive environment will depend on the capabilities of insurers and other insurance market participants, their willingness to invest, and their desire to maintain relationships with customers. The accelerating demand for online transactions and the entry of non-traditional players into the consumer insurance market are encouraging insurers to focus on innovative ways to ensure their competitiveness. Generating rational ideas and ensuring the maximum pace of their implementation is a source of competitive advantage for insurance business entities.

In a market economy, all business entities (both sectoral and territorial) must have full financial freedom. Only under conditions of free economic relations do business entities achieve the highest efficiency [61]. This

approach necessitates integrated financial management in the insurance sector both at the national level and at the level of individual insurers. Studies show that the criterion for the success of insurance management in general and financial management in particular is the long-term efficiency of the management object, which is reflected at the micro level in the growth of profitability of insurance operations, intensification of investment activities of insurance companies, ensuring their financial stability and reducing insurance risks [62]. At the same time, the sustainability of the financial management system should be determined by its ability to return to its original state and ensure the continued solvency of the insurance organization after the impact of negative factors, the most significant of which is the need to pay significant amounts of insurance indemnities in the event of an insured event.

Globalization and modern communication technologies create opportunities for the existence and development of successful innovative enterprises and clusters, even despite the general technological backwardness, low purchasing power of consumers and territorial remoteness, through their inclusion in international value chains [63]. This will have a positive impact on the development of the vast majority of economic sectors, including the insurance industry.

At the same time, it seems reasonable to believe that to increase the level of financial inclusion, it is not enough for the government and the insurance business to simply create technical conditions for the use of insurance products and services. It is important to study the real needs of consumers and focus efforts on meeting them. After all, the main motive of financial inclusion is to ensure free access of all adult members of society to financial services that are personalized to the needs of each individual.

Conclusion. Financial inclusion and the insurance market are important components of a modern financial market and are essential to the well-being of a nation. These two areas interact to create a strong financial system that contributes to sustainable economic development and social stability. Financial inclusion allows more people and businesses to access financial services, including bank accounts, credit, microfinance, and investment opportunities. This makes financial resources available to a wider range of people and helps to increase economic activity.

The insurance market, in turn, provides protection against risks and adversity. It allows individuals and businesses to reduce financial losses in the event of negative events, such as natural disasters, accidents, or illness.

Insurance companies provide protection and stability, which contributes to the confidence and financial security of customers.

Together, financial inclusion and the insurance market create the conditions for financial well-being and growth for individuals and societies. They support economic development, create new investment opportunities, and contribute to a sustainable improvement in the quality of life. Therefore, the development of these areas and ensuring access to their services for all citizens is an important task for modern society.

In the current economic situation with clearly defined strategic priorities of our country, the issues of financial inclusion in the Ukrainian insurance market are becoming increasingly important.

The inclusiveness of insurance is determined by the ability to protect all categories of potential insurers from risks through insurance protection mechanisms, as well as the ability of participants in insurance relations to receive benefits from insurance.

The inclusive development of the insurance sector is of great importance for social progress and necessitates overcoming a number of problems related to macroeconomic instability and social factors, as well as problems of organizing and conducting insurance business. Accordingly, the solution to these problems, given their complexity and interconnectedness, is multifaceted.

In Ukraine, as in many other countries, there are challenges to ensuring citizens' access to insurance services, including low levels of digital and financial literacy. These two factors become significant obstacles to the full use of the opportunities provided by insurance companies.

Low levels of digital literacy prevent citizens from freely using electronic insurance services, performing online transactions, and understanding digital processes. This limits their ability to obtain information about insurance products, conclude transactions, and use insurance services in a way that is convenient for them.

At the same time, financial illiteracy makes it difficult to choose and understand insurance products and terms, which leads to an underestimation of their importance and the failure of more citizens to protect themselves from financial risks.

To overcome these challenges, it is necessary to improve financial literacy and digital education programs aimed at raising citizens' awareness of these issues. It is also important to develop simple and understandable insurance products that meet the real needs of customers and are accessible

to different social groups. These measures will help to increase insurance inclusiveness and ensure wider access to insurance services for the population.

The need to ensure financial inclusion in the Ukrainian insurance market and the significant potential for its expansion necessitate stimulating and encouraging human development and improving the welfare of the population.

In order to broaden the access of potential consumers to insurance services, efforts should be made to further develop the partnership between the state and the insurance business, ensure proper protection of the rights of insurance consumers, raise the level of financial awareness and digital literacy of the population, personalize insurance products, and develop insurance products that will provide insurers and insureds with adequate protection.

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Chapter VIII
NET INCOME RESERVES ASSESSMENT FOR THE UKRAINIAN
INDUSTRY INVESTMENT AND INNOVATION POTENTIAL
FORMATION

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Introduction. Regardless of the specifics of business, in market conditions, the result of financial efficiency of any enterprise is to obtain the maximum possible level of profit, taking into account the minimum level of costs incurred for the production and sale of products (goods, works, services), as well as the minimum use of production resources in compliance with the main goals of sustainable development. Guided by the objective criteria for the formation of financial efficiency, we consider profit maximisation as a prerequisite for intensifying investment and innovation activities, which is especially important for ensuring the sustainable development of an enterprise in a competitive environment [1] and, moreover, in the realities of the digital economy [2].

Based on the above issues, the search for internal reserves of profitability by means of financial analysis, based on the results of which it is possible to obtain reliable information on the presence or absence of financial potential to stimulate expanded reproduction by investing in research and development, becomes a priority.

Literature review. The problem of financial analysis and assessment of net income reserves in market conditions and in the context of investment and innovation management is reflected in a significant number of scientific works by Ukrainian researchers, in particular: I. Malyarchuk [3], A. Dankevych, and V. Milinevska [4], O. Vovk, A. Kovalchuk, Y. Komisarenko, and A. Dzhulai [5], M. Kupyra, Y. Sheiko, and O. Klymchuk [6], O. Kolisnyk and A. Tomsha [7], C. Yudina, and O. Sitnik [8].

It is also important to analyse some scientific publications of foreign researchers on the impact of financing on the investment and innovation activities of enterprises, these are the works of the authors: D. Magro and R. Francisco [9], D. Colombo, and J. Martinez-Vazquez [10], M. Jakovljevic, W. Wu, J. Merrick, A. Cerda, M. Varjadic, and T. Sugahara [11], Y. Liu, P. Failler, and Y. Ding [12], Z. Hao, X. Zhang, and J. Wei [13], C. Magazzino, and F. Santeramo [14], T. Yang, and B. Xu [15].

Taking into account the results of the studies presented above, it should be noted that the problem of linking net income reserves with the state of investment and innovation activity of an enterprise, initiated in the previous works of the authors [16–18], remains poorly understood and therefore requires a thorough study.

Results. The aim of the study is to create prerequisites for improving the efficiency of investment and innovation activities of industrial enterprise by means of financial analysis of income reserves. To achieve this goal, the following research objectives are envisaged:

- to outline the theoretical aspects of formation of net income reserves and the place of accounts receivable in this process;
- to conduct a financial analysis of net income reserves on the example of an industrial enterprise;
- to analyse the financial results of the enterprise's economic activity, provided that the accounts receivable are returned and the prerequisites for intensifying investment and innovation activities are formed;
- to build linear dependencies of net income on the indicators of accounts receivable valuation;

- to develop a multivariate model of linear dependence of net income on the indicators of accounts receivable valuation;
- to evaluate the statistical significance of the obtained model according to statistical criteria;
- to propose a target function for maximising net income based on the multivariate model.

The study is based on the materials of a large industrial enterprise Kyiv Vitamin Plant JSC, whose share in the sales of the pharmaceutical industry of Ukraine was 6% in 2021 [19, p. 196]. In particular, the data from the annual financial statements of the enterprise for 2015–2022 were used [20].

The article uses the methods of analysis and synthesis, the empirical method of scientific knowledge, correlation analysis, regression analysis, mathematical programming, graphical method, abstraction and generalisation, etc.

In a market economy, where markets are effectively already distributed and market prices are formed by supply and demand, profit margins (trade margins) do not differ significantly between companies in the same sector and manipulating them does not increase revenue and sales. In other words, increasing profitability by traditional means (raising profit margins and, consequently, prices, developing new market segments, etc.) is irrational. The way out of this situation is the transition of enterprises to market pricing methods, which are based on adaptation to the market price of manufactured products and maximisation of profits by reducing production costs or optimising overheads [21; 22]. Another way to maximise profits is to expand production by developing and launching new types of products that are in demand. Both minimising production costs and organising the launch of new products require managerial decisions to conduct research, implement design ideas into inventions and technological developments on their own or enter technology markets for the purpose of transferring them. All these decisions require capital investments and are implemented by intensifying investment and innovation activities, the main internal financial source of which is profit.

To achieve the main goal, we will conduct a study on the example of the industrial enterprise Kyiv Vitamin Plant JSC, which took 3rd place in

the pharmaceutical market in 2022 with an indicator of 5.6% of sales of medicines in physical terms [23]. A rapid analysis of the financial statements of the company under study [20] found that in 2014–2022, no dividends were paid to shareholders, i.e., annual net income was reinvested in production. This means that the main internal financial source of investment and innovation activities of Kyiv Vitamin Plant JSC was net income. In this regard, the process of identifying net income reserves by means of financial analysis is becoming more relevant.

Based on the analysis of scientific papers [14–27], we conclude that the main internal reserve of an enterprise's profit, regardless of the type of economic activity, is receivables for products, goods, works, services (trade credit) arising in the course of contractual relations between the producer and the consumer after the latter has been granted a deferred payment for the shipped goods.

Given the fact that the annual financial statements of an enterprise are a record of the value of its property, sources of financing, the formation of revenues, expenses and profits, the result of cash flows and annual changes in the value of equity as at 31 December of the reporting year, the amount of current receivables is essentially nothing more than income to be received in the near future. This is the reason for the proposal to consider current receivables as a net income reserve, since if all “reserved” funds were returned as at 31 December of the reporting year, gross profit would be higher by this amount, and, accordingly, net income would be higher by the amount of returned receivables less income tax paid. Based on the traditions of corporate governance at Kyiv Vitamin Plant JSC, the entire amount of net income is reinvested annually, and since the pharmaceutical industry is one of the most knowledge-intensive economic activities, it is advisable to consider the reinvestment of net income as a boost to investment and innovation activities.

In order to conduct a financial analysis of net income reserves for intensification of investment and innovation activities of Kyiv Vitamin Plant JSC, we summarise the initial data in Table 8.1.

The data in Table 8.1 shows that during 2014–2022, the dynamics of financial results of the economic activity of Kyiv Vitamin Plant JSC was

positive. Thus, gross profit increased by 3.9 times due to a 4.6-fold increase in net income from sales of products (goods, works, services) with a 5.6-fold increase in the cost of sales of products (goods, works, services).

Table 8.1. Initial data for the analysis of net income reserves of Kyiv Vitamin Plant JSC, UAH million

Indicator name	The value of the indicator by years:								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Net income from sales of products (goods, works, services)	665.2	1060.7	1429.5	1761.9	1980.6	2250.1	2564.3	3037.9	3086.8
2. Cost of sales of products (goods, works, services)	290.4	521.3	832.9	961.0	1078.6	1232.4	1311.5	1647.3	1632.6
3. Share of cost price in net income	43.66	49.15	58.27	54.54	54.46	54.77	51.14	54.22	52.89
4. Gross profit	374.9	539.4	596.7	800.9	902.0	1017.7	1252.8	1390.6	1454.3
5. Total current receivables	148.5	102.5	148.9	239.7	417.4	434.1	511.7	537.5	314.7
6. Ratio of current accounts receivable and accounts payable for products (goods, works, services), %	72.5	150.7	45.7	129.2	205.9	227.2	305.6	234.5	85.9
7. Share of receivables for products (goods, works, services) in the planned income, %	13.5	4.9	4.8	10.3	15.6	14.8	15.0	12.4	7.0
8. Income tax expenses	12.6	30.6	39.3	49.2	36.9	26.3	53.0	38.7	55.9
9. Net income	45.7	173.2	145.2	175.5	170.6	117.9	312.0	169.5	220.6
10. Value of assets	554.9	634.1	1085.3	1213.9	1472.0	1506.6	1775.0	1962.3	2300.0
11. Net return on assets, %	8.24	27.31	13.38	14.46	11.59	7.83	17.58	8.64	9.59

Source: Compiled and calculated based on the annual financial statements of Kyiv Vitamin Plant JSC for 2015–2022.

At the same time, the average annual growth rate of net income was 21.2%, cost of sales –24.1%, and gross profit –18.5%. During the period under review, the net income of Kyiv Vitamin Plant JSC increased 4.8 times, growing by 21.8% annually. The company also increased its income tax payments by 4.4 times, growing by 20.5% annually. The average annual

growth of total current debts was 9.8%, with the share of receivables in the planned income increasing from 13.4% in 2014 to 7% in 2022, reaching a maximum of 15.6% in 2018, The ratio of current accounts receivable to accounts payable for products (goods, works, services), the normative value of which should not be lower than 100%, increased from 72.5% in 2014 to 85.9% in 2022, reaching the lowest level of 45.7% in 2016 and the highest 305.6% in 2020. At the same time, the value of this indicator did not meet the standard only in 2004, 2006 and 2022. The net return on assets of Kyiv Vitamin Plant JSC was 8.2% in 2014 and 9.6% in 2022, reaching the highest value of 27.3% in 2015, In other words, during the analysed period, UAH 1 of the company's assets provided from UAH 0.08 to UAH 0.27 of net income.

Based on the data in Table 8.1, we will analyse the net income reserves under the condition of receivables recovery. To do so, we propose the formula for additional net income growth provided that total receivables are recovered:

$$\Delta NI = \frac{AR \cdot (100\% - 7\%)}{107\%} (1 - AR_{SR}) \frac{(100\% - 18\%)}{100\%} = AR \frac{93}{107} (1 - AR_{SR}) 0,82, \quad (8.1)$$

where ΔNI is additional increase in net income, UAH million;

AR is total accounts receivable, UAH million;

AR_{SR} is the share of accounts receivable for products (goods, works, services) in the planned income, %;

7% is the current preferential VAT rate for medical devices and medicines;

18% is the current corporate income tax rate.

In accordance with formula (1), we propose to calculate the increase in the amount of income tax as follows:

$$\Delta CIT = AR \frac{93}{107} (1 - AR_{SR}) 0,18, \quad (8.2)$$

where ΔCIT is the additional increase in corporate income tax.

Thus, using formulas (8.1)–(8.2), we will analyse the financial results of the economic activity of Kyiv Vitamin Plant JSC under the condition of return of receivables (Table 8.2).

Table 8.2. Financial results of economic activity of Kyiv Vitamin Plant JSC, assuming recovery of receivables, UAH million

Indicator name	The value of the indicator by years:								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Net income from sales of products (goods, works, services)	794.3	1149.8	1558.9	1970.2	2343.4	2627.4	3009.0	3505.1	3360.3
2. Cost of sales of products (goods, works, services)	351.0	568.4	914.0	1083.2	1291.0	1454.6	1556.1	1919.7	1788.2
3. Gross profit	443.3	581.4	644.9	887.0	1052.3	1172.8	1453.0	1585.4	1572.2
4. Income tax expenses	25.7	38.8	49.0	66.2	66.6	57.0	92.1	77.2	79.1
5. Net income	105.3	210.3	189.5	253.2	306.1	257.8	490.2	344.9	326.3
6. Increase in the value of assets, %	+10.75	+5.86	+4.08	+6.40	+9.20	+9.29	+10.04	+8.94	+4.59
7. Net return on assets, %	17.14	31.34	16.77	19.60	19.04	15.66	25.10	16.13	13.56

Source: Compiled and calculated based on the annual financial statements of Kyiv Vitamin Plant JSC for 2015–2022, using formulas (8.1)–(8.2).

Let's conduct a factor analysis of net income, taking into account the The data presented in Table 8.2 show that if the entire amount of total accounts receivable is simultaneously repaid, the average gross profit of Kyiv Vitamin Plant JSC may increase by 12.8%, with an increase in the average net income by 13.9% and average costs of goods sold by 14.9%. Accordingly, taking into account the provision for current receivables, the company's investment and innovation activities will increase by +7.6% in terms of the average annual value of assets. The increase in the average annual net income is +62.3% and, accordingly, the company's income tax is +61.1%. As a result, the increase in net return on assets will be +6.2%, i.e. the efficiency of investment and innovation activities will increase.

receivables reserve, by means of multivariate analysis, forming the initial data in Table 8.3.

Table 8.3. Chain growth rates of net income growth factors of Kyiv Vitamin Plant JSC, %

Indicator name	The value of the indicator by years:							
	2015	2016	2017	2018	2019	2020	2021	2022
Independent variables:								
1. Total current receivables (AR)	-30.97	+45.33	+60.93	+74.16	+3.98	+17.89	+5.04	-41.44
2. Ratio of current accounts receivable to accounts payable for products (goods, works, services) ($R_{AR/AP}$)*	+78.23	-105.02	+83.49	+76.78	+21.31	+78.39	-71.18	-148.52
3. Share of accounts receivable for products (goods, works, services) in planned revenue (AR_{SR})	-8.64	-0.10	+5.54	+5.26	-0.77	+0.20	-2.55	-5.48
Dependent variable:								
4. Net income (NI)	+278.81	-16.13	+20.85	-2.83	-30.86	+164.57	-45.68	+30.16

* $R_{AR/AP}$ is the ratio of current accounts receivable to accounts payable for products (goods, works, services).

Source: Formed and calculated based on the data of Table 8.1.

In Table 8.3, the chain growth rates of total current receivables, the ratio of current receivables and payables for products (goods, works, services), the share of receivables for products (goods, works, services) in the planned income are taken as factor indicators, and the chain growth rate of net profit is taken as an effective indicator. The multivariate analysis will allow formalising the impact of accounts receivable on the net profit of Kyiv Vitamin Plant JSC and lay the foundations for optimising management work with debtors in order to intensify the investment and innovation activities of the enterprise [28–30].

Implementing a multivariate analysis of net profit, we first build linear models of dependence of the growth rate of net profit on: the growth rate of total receivables (Figure 8.1); the growth of the ratio of current receivables and payables for products (goods, works, services) (Figure 8.2); the growth of receivables for products (goods, works, services) in the planned income (Figure 8.3).

The data shown in Figure 8.1 show that there is an inverse medium-density correlation between net profit and total receivables. A 1% increase

in total receivables leads to a 1.14% decrease in net profit. The change in net profit by 17.4% is due to the change in total receivables. It should also be noted that in a situation where the increase in accounts receivable is 0%, the increase in net profit would be +69.1%.

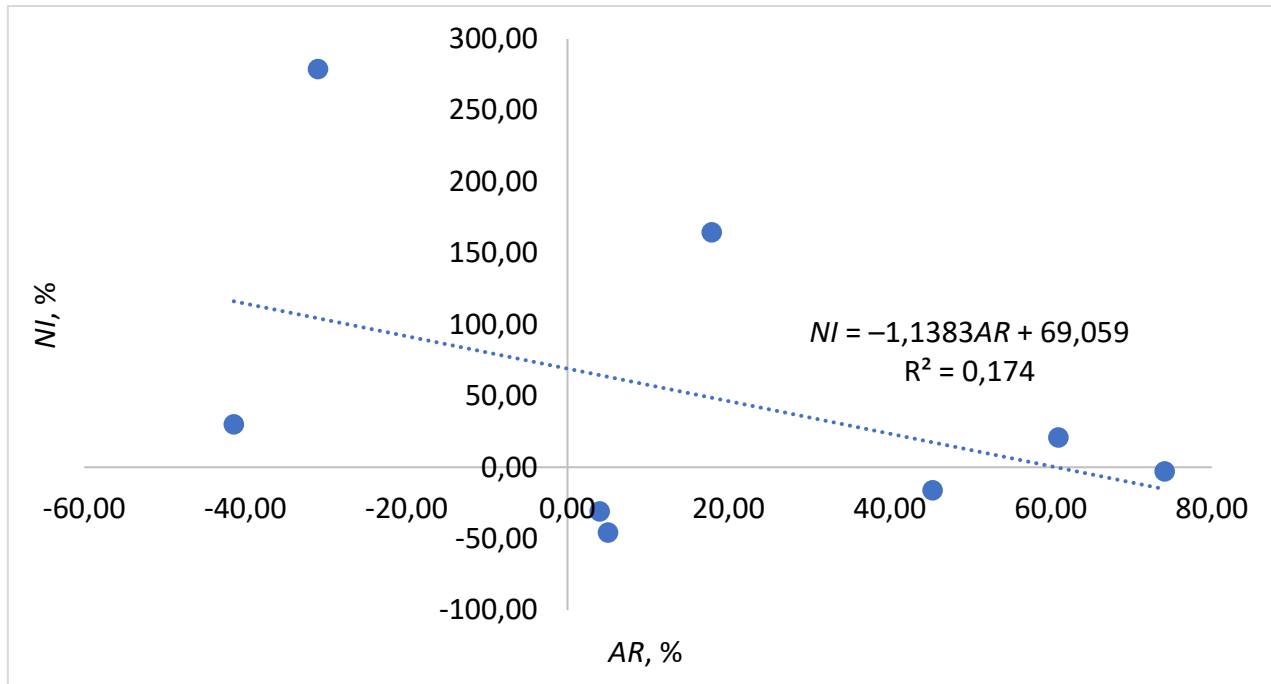


Figure 8.1. Linear dependence of net profit on total accounts receivable of Kyiv Vitamin Plant JSC

Source: Based on data from Table 8.3 using Excel.

The modelling results shown in Figure 8.1 are a statistical confirmation of the real state of affairs that an increase in accounts receivable leads to a decrease in net profit. This is due to the fact that the company has incurred costs by manufacturing and shipping products to business partners, but has not yet received the funds in the form of sales revenue. Obviously, the difference between the actual income received and the current cost of goods sold (and the shipped goods are actually sold) is the gross profit of the producer, a decrease in which ultimately leads to a decrease in net profit, as shown in Figure 8.1.

From the data in Figure 8.2 shows that there is a direct medium-density correlation between net profit and the ratio of current accounts receivable to accounts payable for products (goods, works, services).

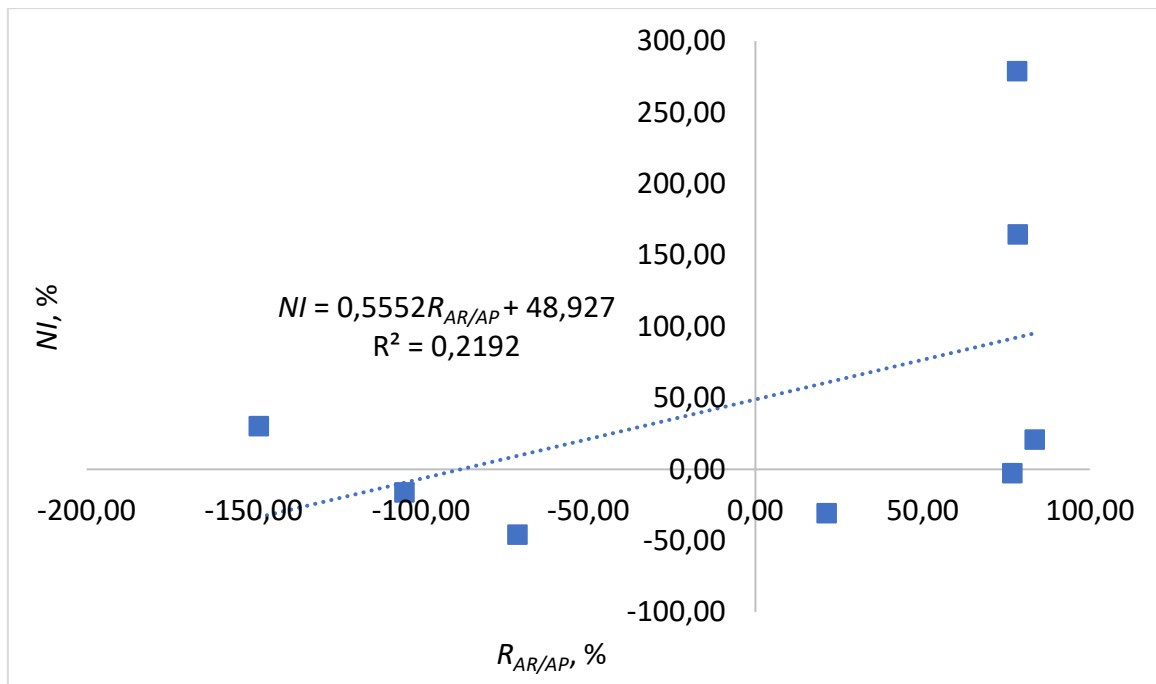


Figure 8.2. Linear dependence of net profit on the ratio of current accounts receivable and accounts payable for products (goods, works, services) of Kyiv Vitamin Plant JSC

Source: Based on data from Table 8.3 using Excel.

A 1% increase in the ratio of current accounts receivable to accounts payable for products (goods, works, services) leads to a 0.56% increase in net profit. The change in net profit by 21.9% is due to a change in the ratio of current receivables to payables for products (goods, works, services). In a situation where the increase in the ratio of current accounts receivable to accounts payable for products (goods, works, services) is 0%, the increase in net profit would be +48.9%.

The data shown in Figure 8.2 are statistical evidence of the direct impact of solvency on the financial performance of a firm. Thus, the critical level of the ratio of accounts receivable to accounts payable for products (goods, works, services) is 1. If its numerical value is less than 1 and tends to 0, it can be concluded that the firm is critically insolvent and on the verge of bankruptcy. When the numerical value of the ratio of accounts receivable to accounts payable for products (goods, works, services) exceeds 1 and tends to increase, it can be concluded that the firm is solvent and its solvency is improving, and therefore its financial performance is growing.

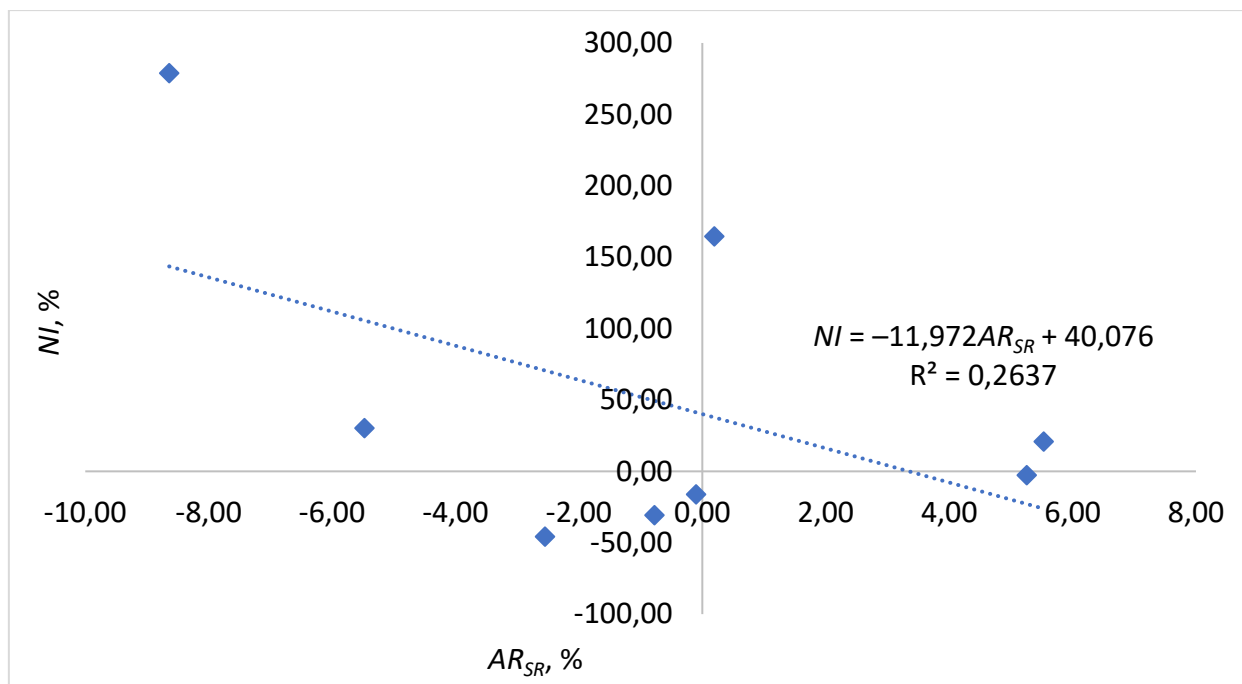


Figure 8.3. Linear dependence of net profit on the share of receivables for products (goods, works, services) in the planned income of Kyiv Vitamin Plant JSC

Source: Calculated based on the data in Table 8.3 using Excel.

Guided by the data of Figure 8.3, it can be concluded that there is an inverse correlation of medium density between net profit and the share of receivables for products (goods, works, services) in the planned income. A 1% increase in the share of accounts receivable for products (goods, works, services) in the planned income is accompanied by a 12% decrease in net profit. The change in net profit by 26.4% is due to the change in the share of receivables for products (goods, works, services) in the planned income. Provided that the increase in the share of receivables for products (goods, works, services) in the planned income is 0%, the increase in net profit will be +40.1%.

One of the conditions for multivariate analysis is the absence of multicollinearity between the factor attributes entered into the model. That is, there should not be a tight correlation between the factor attributes. To determine the correlation between the factor attributes, let's build a correlation matrix (Table 8.4).

Table 8.4. Correlation matrix of factor and resultant features of the multivariate model of net profit

	<i>AR</i>	<i>R_{AR/AP}</i>	<i>AR_{SR}</i>	<i>NI</i>
<i>AR</i>	1			
<i>R_{AR/AP}</i>	0.384753	1		
<i>AR_{SR}</i>	0.934365*	0.372091	1	
<i>NI</i>	-0.417139	0.468205	-0.513470	1

* high-density correlation, the presence of multicollinearity [31, p. 634–635; 32, p. 8].

Source: Based on data from Table 8.3 using Excel.

Table 8.4 shows that there is multicollinearity between total accounts receivable and the share of accounts receivable for products (goods, works, services) in the planned income, since the value of the pairwise correlation coefficient (r) is 0.93, which indicates a high-density correlation. As for the rest of the factor attributes, there is a medium-density correlation between total accounts receivable and the ratio of current accounts receivable to accounts payable for products (goods, works, services) ($r = 0.38$), and between the ratio of current receivables and payables for products (goods, works, services) and the share of receivables for products (goods, works, services) in the planned income, there is also a medium correlation ($r = 0.37$).

Thus, taking into account the results of the correlation analysis, the factors of the multivariate model of net profit can be a combination of the first and second indicators or the second and third indicators, to choose a combination, we analyse the degree of influence of each of the factor attributes on the resultant attribute. Thus, the impact of total accounts receivable on net profit is characterised by an average correlation ($r = 0.42$); the impact of the ratio of current accounts receivable and accounts payable for products (goods, works, services) on net profit is characterised by an average correlation ($r = 0.47$); the impact of the share of accounts receivable for products (goods, works, services) in planned income on net profit is characterised by an average correlation ($r = 0.51$). Thus, the second (ratio of current receivables and payables for products (goods, works, services)) and third (share of receivables for products (goods, works, services) in the

planned income) factor indicators that have the greatest impact on the result will be introduced into the multivariate model of net profit.

According to Table 8.3, using the Excel add-in “Regression”, the results of multivariate analysis are shown in Figure 8.4.

<i>Regression statistics</i>						
Multiple R	0.8764265					
R Square	0.7681235					
Adjusted R Square	0.6753728					
Standard Error	64.45395					
Observations	8					

<i>ANOVA</i>						
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>	
Regression	2	68,808.69	34,404.346	8.2816*	0.025891	
Residual	5	20,771.56	4,154.3116			
Total	7	89,580.25				

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	33.119559	23.25047	1.4244681	0.213618	-26.6477	92.88681
<i>R_{AR/AP}</i>	0.9073229	0.275097	3.2981876**	0.021518	0.200162	1.614483
<i>AR_{SR}</i>	-18.61125	5.409653	-3.440378**	0.018428	-32.5172	-4.70529

* $F > 5.786$ (=FINV(0.05;2;5), so the model is statistically significant;

** $t > 2,57$ (=TINV(0.05;5), so the model parameters are statistically significant.

Figure 8.4. Results of Kyiv Vitamin Plant JSC net income multivariate analysis

Source: Based on data from Table 8.3 using Excel.

According to Figure 8.4, the obtained model can be considered statistically significant, adequate and economically logical. Such conclusions are based on the values of statistical criteria. Thus, there is a high-density correlation between the effective and two factor attributes, since the multiple correlation coefficient $R = 0.876$. Changes in net profit by 76.8% are due to changes in the ratio of current receivables and payables for products (goods, works, services) and the share of receivables for products (goods, works, services) in the planned income. In general, the model is reliable and statistically significant, as the actual value of the Fisher’s F-test exceeds its critical value by 1.4 times. The parameters of the model are statistically significant, as their actual values of the Student’s t-test exceed the critical value by 28.3 and 33.8 per cent, respectively.

Guided by the data shown in Figure 8.4, let us form the equation of the multivariate model of net profit of Kyiv Vitamin Plant JSC:

$$NI = 33,12 + 0,91R_{AR/AP} - 18,61AR_{SR}. \quad (8.3)$$

The economic interpretation of formula (3) is as follows:

- with an increase in the ratio of current receivables and payables for products (goods, works, services) by 1%, the volume of net profit increases by 0.9%;

- increase in the share of receivables for products (goods, works, services) in the planned income by 1% is accompanied by a decrease in net profit by 18.6%;

- the total growth of both indicators leads to a decrease in net profit by 17.7%;

- provided that both factor attributes have zero growth, the increase in net profit will be +33.1%;

On the basis of formula (3), we form the objective function of maximising the net profit of Kyiv Vitamin Plant JSC:

$$NI = 33,12 + 0,91R_{AR/AP} - 18,61AR_{SR} \xrightarrow{R_{AR/AP}, AR_{SR}} \max, \quad (8.4)$$

where $\xrightarrow{R_{AR/AP}, AR_{SR}}$ means that the optimisation is carried out by manipulating both factor attributes.

The use of formula (4) as an objective function of maximising net profit allows setting the necessary restrictions based on the results of accounts receivable and accounts payable management, as well as planning and controlling the amount of net profit, depending on the management decisions.

Thus, given that accounts receivable is the main reserve for increasing overall profit, the main task to reduce it is to develop an effective accounts receivable management policy, and one of the areas of accounts receivable management that will contribute to its reduction should be to strengthen control over it by creating a special unit at the enterprise. Such a unit could be a department for problematic receivables. The structure, tasks and functions of the department should be determined by the company, as it is necessary to take into account the specifics of its activities in the market.

In our opinion, the main tasks of the department include:

- keeping records of the company’s problem receivables;
- development of schemes for settlements to repay the company’s bad receivables;
- co-operation with the authorities to recover receivables;
- restructuring of the company’s debt;
- coordination of relations with the company’s creditors to avoid their forced collection of debts;
- development of methodological approaches to optimising the use of distressed debt obligations;
- control over the implementation of financial plans for the month and quarter in terms of repayment of the company's external receivables.

In accordance with the tasks, the functions of the Department for Problem Receivables shall be:

- Accounting: The department keeps records of receivables in cooperation with the legal authorities of Ukraine to collect receivables;
- Analytical: Ensuring ongoing analysis of the structure of bad receivables, developing and submitting proposals for its reduction to the management;
- Control: The management should constantly monitor the implementation of financial plans in terms of repayment of the company's receivables.

The effectiveness of the Department for Problematic Receivables can be ensured by strict responsibility of employees for the performance of their functions, differentiating it into personal and general responsibility, which should be clearly defined in the Regulations on the Department for Problematic Receivables.

Personal responsibility for the performance of the functions should be assigned to the Head of the Department for Problem Receivables, and in accordance with the applicable law, employees of the department should also be responsible for the performance of their duties. The general liability of the Department for Problem Receivables should include:

- failure to fulfil the tasks and functions assigned to the department;
- untimely execution of orders, instructions and assignments of the

company's management; ineffective decisions made within the scope of its authority;

- unreliability of information and reference materials prepared by the structural unit;
- inefficient use of property assigned to the department;
- disclosure of confidential information about the company's activities.

An important area of ensuring effective receivables management is analysis and internal control, which should be carried out by the Department for Problem Receivables. As for the control over the status of receivables, its implementation should ensure

- the existence and correctness of the primary documents that give rise to the receivables;
- the status of receivables according to the established criteria;
- correctness of calculations in accounts receivable;
- correctness of receivables valuation and calculation of the amount of provision for doubtful debts;
- proper classification of receivables and availability of necessary explanations in the notes to the financial statements.

When assessing the status of accounts receivable, all necessary information on sales and receivables should be obtained. When collecting information about the occurrence and accounting of receivables and the correctness of their valuation, determine the list of information that should be provided by the client or obtained directly, namely a list of types of products (works, services) sold under a commodity credit and the turnover for each type of product; the number and addresses of the centres of shipment of products (performance of works, provision of services); characteristics of buyers and customers (purchase of products for sale, for own needs, wholesale, retail, export); list of major debtors; volume of sales (invoices), including certain forms of payment (prepayment; cash or cheque payment; sales on credit; barter settlements; marketing policy of the enterprise (method of selling products, advertising system, pricing policy, determination of doubtful and bad debts, etc); invoicing scheme; elements of the internal control system for receivables).

Conclusion. Thus, the results of the financial analysis of net income reserves for intensification of investment and innovation activity of enterprise allow drawing several important conclusions.

Firstly, it is established that in the course of the contractual relations of an enterprise with buyers of products, there is a deferral of payment for the delivered products (goods, works, services) in the form of receivables, which is a key income reserve and, upon return, creates conditions for additional growth of net profit and intensification of investment and innovation activities.

Secondly, it is found that during 2014–2022, the average annual amount of accounts receivable of Kyiv Vitamin Plant JSC was UAH 317.2 million or 13.8% of the planned net income, resulting in an annual shortfall of UAH 105.9 million or 62.3% of the average annual profit, including UAH 23.3 million of income tax or 61.1% of the average annual income tax expense.

Thirdly, it is proved that intensification of investment and innovation activities of Kyiv Vitamin Plant JSC is possible with simultaneous recovery of receivables, which will result in an increase in the average annual value of assets by 7.6% and an increase in net return on assets by +6.2%, i.e. an increase in the efficiency of investment and innovation activities.

Fourthly, a statistically significant and adequate multivariate model of the linear dependence of net profit on the ratio of current receivables and payables for products (goods, works, services) (direct relationship) and the share of receivables for products (goods, works, services) in the planned revenue, (direct relationship) and the share of receivables for products (goods, works, services) in the planned income (inverse relationship), the use of which allowed to build the target function of maximising the net profit of Kyiv Vitamin Plant JSC and will ensure the improvement of accounts receivable and accounts payable management.

Finally, it should be noted that the methods of research and statistical processing of economic information and modelling used are not exhaustive, although they allow obtaining adequate results. In addition, under martial law, access to information is significantly restricted, which leads to limitations in data disaggregation and analytical procedures by comparing

the performance of the enterprise under study with competitors and with the average indicators for the pharmaceutical industry, etc.

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CONCLUSIONS

The results of the scientific and practical research presented in the monograph allowed us to study and improve the characteristics of certain aspects of financing resource provision at the micro, meso, and macro levels in the social, security, and fiscal dimensions:

1. The successful functioning of an enterprise in today's business environment depends on cost management, in the course of which decisions are made aimed at improving the efficiency of its production and economic activities, competitiveness and profitability.

The peculiarities of costs as an object of management are as follows diversity, constant change under the influence of the external and internal environment, and different dynamics in different periods of time. All of this makes it difficult to accurately quantify the amount, dynamics, and level of costs, to determine the impact of costs on the economic performance of an enterprise and methods of optimising them. The effectiveness of cost planning and control also depends on the timely provision of relevant information to all levels of cost management.

2. To achieve the maximum possible profit and reduce operating costs, the Group has developed measures to optimise its costs based on marginal cost and profit analysis, which will help to increase the efficiency of production activities by reducing costs. All these measures will increase sales and reduce cost of production, which will allow the company to invest the freed-up funds in the development and expansion of its own production, which in turn will open up new opportunities for the introduction of new equipment and increase production efficiency and, as a result, increase the level of profitability of the enterprise as a whole.

3. In the conditions of the market economy and the independent activity of domestic enterprises, there is an objective need to determine ways and measures to maximize income from sales. In these conditions, each enterprise must ensure the prospect of its further existence through an effective system of effective management of the process of generating, distributing and using revenue from sales.

The problem of accounting for income, expenses and financial results is very relevant, there are many views of scientists regarding its solution. However, in most agricultural enterprises, the organization of accounting for income and expenses is carried out on the basis of accounting principles and standards. Financial results are determined by subtracting expenses from income. And this is the basis for determining the results of activities not only in crop and livestock production, but also in all sectors of agricultural production.

4. The financial activity of the enterprise should be aimed at ensuring the systematic receipt and effective use of financial resources, compliance with settlement and credit discipline, achieving a rational ratio of own and borrowed funds, financial stability for the effective functioning of the enterprise.

Thus, the value of future financial results of agricultural enterprises is influenced by economic, political, market, foreign economic and other factors, as well as the forces of nature (climate, weather conditions, etc.), which significantly increases the risk of losses for the enterprise. When organizing accounting, one should take into account cash results and probable reserves to cover them.

5. the management of the enterprise under study should adopt the following algorithm of actions to make management decisions regarding equity in the context of ensuring the financial security of the enterprise:

- comprehensively analyze the status, structure and dynamics of equity capital;

- develop a program, plan and carry out documentary and actual verification of the state of equity capital, taking into account the interests of both external and internal stakeholders.

6. The main criteria for optimizing the capital structure are an acceptable level of level of profitability and risk in the company's activities, minimization of the weighted average cost of capital of the enterprise, maximization of the market value of the enterprise. Each company should choose the criteria for optimizing its capital structure independently of the capital structure.

So, let us highlight the main areas of improving the efficiency of accounting for equity of the company's equity:

- company managers should choose a compromise approach to financing the assets of the business entity;
- to analyze the financial and property status, the intensity of use of fixed capital, which is an indicator of the efficiency of the enterprise;
- reduce the terms of receivables, which will accelerate capital turnover.

7. By building their financial capacity through the use of various sources of financial resources, territorial communities will have real opportunities to properly fulfill their own and delegated powers and address the task of socio-economic development of a particular territory.

Assessment of the level of financial capacity of territorial communities is necessary to determine the level of potential and ability of territorial communities to maintain high-quality public services to the population and to satisfy the interests of residents in the areas of life in the respective territory. The analysis of the financial capacity of territorial communities will ensure that management decisions are made to find ways to strengthen their material basis, ensure the balance and sustainability of the financial system of local self-government, in particular in the provision of public services.

8. The Mykolaiv region has rich tourism potential, in particular, there are historical, archaeological, architectural, natural and other sites. The largest number of tourism sites are located in the cities of Mykolaiv, Ochakiv, Nova Odesa, Pervomaisk, Voznesensk, Bashtanka and Novyi Bug. However, there are a number of problems and threats to the development of the tourism potential of the Mykolaiv region, which are now mainly related to the war.

Effective popularization and inclusion of the rich tourism heritage of the region in tourist routes will help increase financial revenues to the budgets of territorial communities. It is necessary to develop promising areas of tourism development (ecological, rural green, historical and cultural, industrial, youth, active types of tourism); increase national

consciousness and interest in the tourism heritage of the Mykolaiv region; effectively implement state social policy; stimulate the use of tourism resources of the Mykolaiv region; conduct an advertising campaign on the national and international tourism services market.

9. In the context of transformation of the economic system and establishment of market relations, the State's influence on socio-economic processes becomes indirect and is realized through the implementation of budgetary and tax policy. State revenues, their formation, distribution and use are an instrument of the economic and financial policy of the state and a component of the mechanism of budgetary and tax regulation of the economy; effective functioning of the state in the context of the formation and development of market relations is impossible without a reliable system of formation of revenues of the state and local budgets.

A tax is one of the ways to generate budget revenues, one of the forms of economic relations for the distribution and redistribution of gross domestic product in accordance with the needs of financing budget expenditures and state regulation of economic processes.

10. Taxes are a necessary part of economic relations in society and are the main form of government revenue and an equally important lever of the government's economic influence on social production. In an unstable economic environment, the problems of generating sufficient budgetary resources and ensuring their efficient use become particularly acute. One of the most important items of state budget revenues is tax revenues. According to Article 9 of the Budget Code of Ukraine, tax revenues are national taxes and duties and local taxes and duties established by the laws of Ukraine on taxation.

Thus, we can say that analyzing the mechanism of Ukraine's tax policy in the conditions of war, one of the main transformations was the change in the priorities of policy functions. Before the war period, the fiscal component of the policy prevailed, which made the regulatory and incentive functions less of a priority.

11. Financial inclusion and the insurance market are important components of a modern financial market and are essential to the well-being

of a nation. These two areas interact to create a strong financial system that contributes to sustainable economic development and social stability. Financial inclusion allows more people and businesses to access financial services, including bank accounts, credit, microfinance, and investment opportunities. This makes financial resources available to a wider range of people and helps to increase economic activity.

12. The insurance market, in turn, provides protection against risks and adversity. It allows individuals and businesses to reduce financial losses in the event of negative events, such as natural disasters, accidents, or illness. Insurance companies provide protection and stability, which contributes to the confidence and financial security of customers.

Together, financial inclusion and the insurance market create the conditions for financial well-being and growth for individuals and societies. They support economic development, create new investment opportunities, and contribute to a sustainable improvement in the quality of life. Therefore, the development of these areas and ensuring access to their services for all citizens is an important task for modern society.

Scientific Publication

**FINANCIAL RESOURCING AT MICRO-,
MESO-, AND MACROLEVELS: SOCIAL,
SECURITY, AND FISCAL DIMENSIONS**

Collective monograph

Edited by
Maksym Slatvinskyi

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