

Directions of Efficiency Increase of State Regulatory Policy in Ukraine

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Abstract: The aim of the article is the development directions of efficiency increase of state regulatory policy in Ukraine. On the basis of the analysis of domestic and foreign scientific thought we give definition of the notion “efficiency of state regulatory policy”. We propound to implement the process of improving the effectiveness of state regulatory policy in four consecutive and interlinked stages. On the basis of carried out evaluation of the effectiveness of regulatory policy and definition of influence factors on its level we propound basic directions of efficiency increase of state regulatory policy in Ukraine.

Key words: The state regulatory policy • Efficiency • Integral index • Regulatory measures

INTRODUCTION

Regulation of market processes in economy of Ukraine is due to several factors among which the unstable external economic situation, unfavorable investment climate, the low level of increase of aggregate demand in the domestic market, the negative trade balance. In the conditions of openness of the national economy the issue of increasing its competitiveness as a basis for balanced economic growth acquires paramount importance. The state regulatory policy is the mechanism which is capable to provide development of national economy on qualitatively new level and, accordingly, increase its competitiveness on the world market. Therefore, the necessity to determine the priority directions of increasing the efficiency of state regulatory policy arises.

The works of foreign scientists devoted to the issues of implementation of state regulatory policy: P. Brown, W. Kip Viscuzi, J. M. Vernon, J. E. Garington, J. Mitchell, N. Malyshev, V. Afanassiev, A. Korenev, G. Atamanchuk, A. Radchenko, S. Melnikov and Ukrainian scientists: V. Bakumenko, Z. Varnaly, Yu. Gubanya, A. Degtyar, Ya. Demchenkov, L. Didkivska, I. Kravtsova, O. Kuzhel, I. Kuznetsova, S. Kulik, O. Litvinov, D. Lyapin, K. Lyapina, D. Pogrebnyak, A. Titarenko, O. Yuldashev and other scientists.

In consideration of the significant contribution of modern economic thought and the available results of domestic and foreign developments in this direction it should be noted that the issue of increasing economic and social efficiency of state regulatory policy requires further scientific and practical research.

RESULTS

Efficiency is a complex economic category which reflects the ratio between obtained results and resources spent on their achievement. The content of efficiency category is complex and multifaceted: there is no single definition of this term.

In the economic encyclopedia edited by S. Mocherny they give the following definition of this category: «Efficiency is the ability to effect the efficiency, effectiveness of the process, the project etc. defined as a ratio effect, the costs, provided this result» [1, p.508]. In turn effect is achieved result in different forms of manifestations (material, monetary, social and others).

Many domestic economists support the determination of the effectiveness proposed by V.G. Andriychuk. He interprets the category of efficiency as the effectiveness of a particular action, a process that is measured by the ratio between the obtained result and costs (resources) that caused it [2, p. 9].

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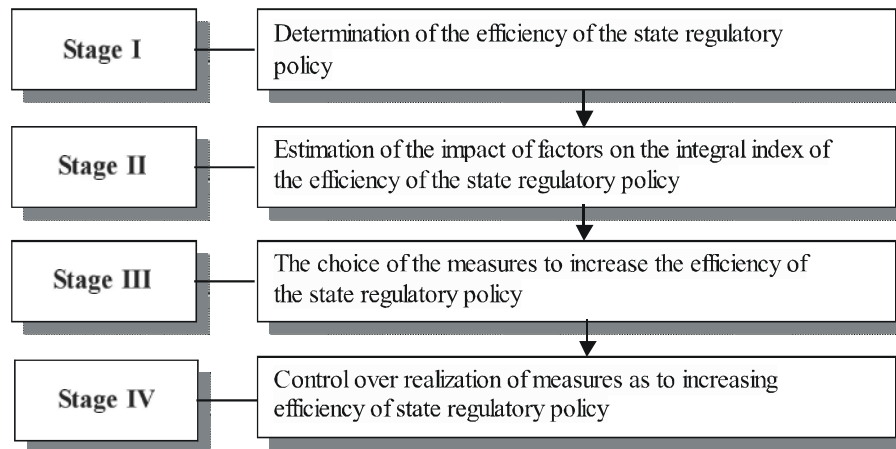


Fig. 1: Stages of the process of efficiency increase the state regulatory policy

The law of Ukraine «On principles of state regulatory policy in the sphere of economic activity» defines one of the principles of state regulatory policy exactly efficiency. At that the effectiveness of regulatory policy is defined as ensuring attainment as a result of acts of the regulatory document maximum possible positive results by means the minimum necessary resources expenditures of economic entities, citizens and the state [3].

In the works of B. Kip Viscuzi, J. M. Vernon and J. E. Garington devoted to the issues of economic theory of regulation the effectiveness of the regulatory policy is measured by maximizing the net benefits that can bring regulatory measures to society [4, p. 44].

Thus, we defined the efficiency of state regulatory policy lawfully as the ability to ensure the development of the national economy and increase the level of welfare of citizens on the basis of balancing the interests of economic entities, the society and the state.

The efficiency of the state regulatory policy depends on the economic expediency and efficiency of regulatory measures. We propose to take in regulatory measures as measures which are implemented by regulatory authorities by adoption the appropriate regulatory acts and directed to ensuring socio-economic development of the country and regions, increase the welfare of citizens.

An analysis and evaluation of the economic environment and the conditions for implementation of economic activity must precede necessarily implementations of regulatory measures. In connection with this we propose to divide the process of increasing the effectiveness of state regulatory policy into stages (Fig. 1).

At the first stage the determination of effectiveness of the state regulatory policy is implemented on the basis of the index method. According to the author's methodology of evaluation the efficiency of state regulatory policy is carried out lawfully in the following sequence:

- The definition of indicators for the implementation an integrated estimate of the effectiveness of the state regulatory policy.

Studies have shown that the integral assessment of the effectiveness of the state regulatory policy provides for the following indicators: gross domestic product (bln. US dollars), export-import balance (mln. US dollars), consumer prices indices (% to previous year), the number of registered unemployed (thousand persons), direct foreign investments (mln. US dollars), capital investments in actual prices (mln. UAH), the real interest rate (%) and taxes except subsidies on products (mln. UAH).

- Normalization of indices in order to unite them in a single integrated estimate.

Normalization for indices, increase which raises the efficiency evaluation of the state regulatory policy is to equality:

$$z_{it} = \frac{x_{it} - x_i^{\min}}{x_i^{\max} - x_i^{\min}} \quad (1)$$

as for indicators, the increase which reduces the specified estimate is to equality:

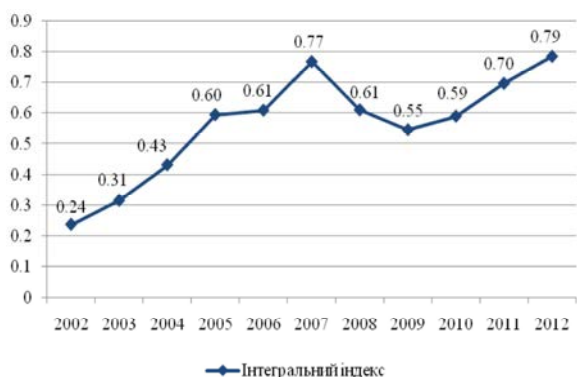


Fig. 2: Evaluation of the integral index of the efficiency of the state regulatory policy in Ukraine

$$z_{it} = \frac{x_i^{\max} - x_{it}}{x_i^{\max} - x_i^{\min}} \quad (2)$$

where z_{it} is the normalized value of the i -index in the t -th year;

x_{it} = The initial value of i -index in the t -th year;

x_i^{\max}, x_i^{\min} = Respectively the maximum and minimum value of this indicator the period under review.

- Definition of integral indices of efficiency of state regulatory policy for the years according to the formula:

$$w_t^{mac} = \frac{\sum_{i=1}^8 z_{it}}{8} \quad (3)$$

where w_t^{mac} is the integral index of the effectiveness of state regulatory policy at the macro level in the t -th year.

The results of evaluation of efficiency of state regulatory policy are presented in Fig. 2.

Integral Index: Evaluation of the integral index of the efficiency of the state regulatory policy in Ukraine for 2002-2012 allows to make a conclusion about the positive dynamics of this indicator except 2008-2009. We can explain lawfully the deterioration of the indicator in the years by the influence of the global crisis on the national economy.

At the second stage on the basis of factor analysis estimation of the impact factors on the integral index of the efficiency of the state regulatory policy is carried out in the following sequence:

- The model structure of factors affecting the integral index of the efficiency of the state regulatory policy.

General view of the model which reflects the influence the factors on the effectiveness of regulatory policy is following:

$$\lambda_{mac} = 0,017782x_1 - 0,009551x_2 - 0,011861x_3 + 0,025654x_4 + 0,097290x_5 + 0,199960w - 7,509094, \quad (4)$$

Where

λ_{mac} - Integral index of the efficiency of the state regulatory policy at the macro level;

x_1 = Export of goods, USD million;

x_2 = Import of goods, USD million;

x_3 = Consumer prices indices, % to the previous year;

x_4 = Direct foreign investments, USD million;

x_5 = Employment rate, % of economically active population;

w = Indicator of crisis years (independent variable).

Having checked the adequacy of the developed model and the importance of its parameters we obtained the characteristic of the model:

- The coefficient of determination $R^2=0.986306$ indicates that the relation between researched and factor sign is tight;
- Actual value of Fisher criterion exceeds table $F_{fact} = 36.01413 > F_{table} = 8.94$ so the model is statistically significant.
- Determination of the value of the influence factor signs on effective.

Analyzing the coefficients of equation (4) we can determine the degree of influence of these factors on the level of effectiveness of state regulatory policy at a fixed position of other factors. Thus, the growth of value of some factors has positive impact (export of goods, foreign investments and the level of employment) and the growth of value of the other factors is negative (the import of goods, the consumer price index).

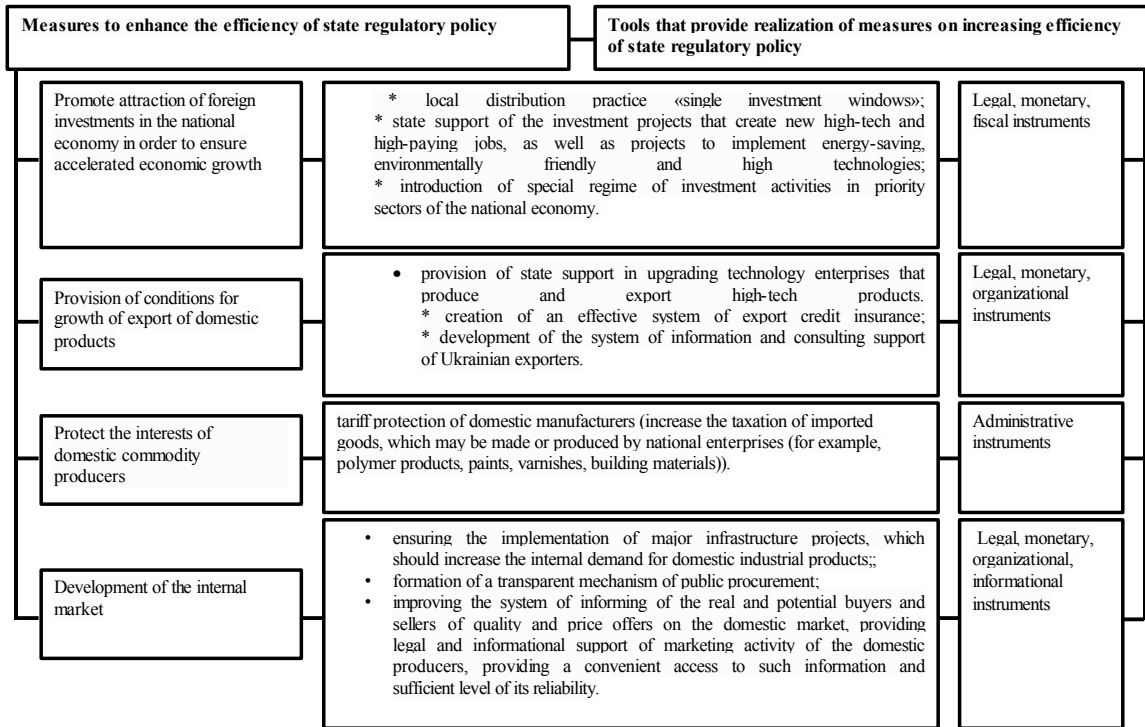


Fig. 3. The basic directions of increase of efficiency of state regulatory policy in Ukraine

Table 1: The values of elasticity coefficients for the model that reflects the influence of the factors on the integral index of the efficiency of the state regulatory policy

Factors	Elasticity coefficient
The export of goods, billion \$.	1.262
The import of goods, billion \$.	-0.774
Consumer price indices, (% to previous year)	-2.427
Direct foreign investments, bln. \$.	0.213
The level of employment (in % to economically active population)	16.591

We note that due incomparability between the regression coefficients (different units of measurement), on their basis it is not possible to determine the magnitude of the effect of factor signs on effective one. In this connection it is expedient to calculate partial elasticity coefficients (Table 1).

Analyzing the data of table 1 we can conclude that in accordance with a linear multivariate model (4) with an increase of 1 %:

- Export of goods - integral index of the efficiency of the state regulatory policy at the macro level increases by 1.262 %;
- Consumer price index - integral index of the efficiency of the state regulatory policy at the macro level is 2.427 % decrease etc.

They determine the foreign economic and investment spheres as priority directions of activation of the regulatory activity of Executive bodies to increase

efficiency of state regulatory policy lawfully. In particular, it is advisable to adopt regulatory measures to support domestic producers and establishing a favorable environment for attracting foreign investment.

At the third stage they legally define the main directions and measures on increase of efficiency of the state regulatory policy and instruments of their implementation (Fig. 3).

Based on these calculations the influence of the factors on the integral index of the efficiency of the state regulatory policy and analysis of native scientific thought they defined the following main directions of increasing the efficiency of state regulatory policy in Ukraine:

- Stimulation attraction of foreign investments in the national economy in order to ensure accelerated economic growth. In particular it is necessarily to spread the field practice of «single investment windows» which will provide receipt high-quality information-consultative and organizational support by potential foreign investors.

Also it is necessary to secure a close link between the State Agency for investments and the administration of national projects in Ukraine with the regional centers for investments and development. The periodic submission information to the State Agency in regard to priority sectors of the region which need in foreign investments with the aim of further stimulating the activity of foreign

investors, namely in these areas should be an important aspect of the activity of regional centers in this area. In addition, the Ukrainian center for foreign investment promotion at the same time with the industry's reviews should introduce reasonable the practice of releasing information and analytical reference books for foreign investors in terms of regions.

It is rightfully noted that foreign direct investments are an effective instrument for stimulating the development of priority sectors of the national economy (e.g. agriculture, shipbuilding, aircraft building). However, today industries which bring immediate benefits (financial activity, processing industry) are attractive for foreign investors with the purpose of stimulation foreign investment to the priority sectors of the national economy we enter legally a special mode of investment activity. The special regime of investment activity provides an exemption from tax of profit from realization the investment project. At the same time, the saved funds should be directed at expansion of production, introduction of new technologies or repayment of liabilities.

Together with the stimulation of investment activities in priority sectors of the economy at the legislative level it is legally to fix the list of areas where the presence of foreign capital is forbidden or restricted by the motives of the risks to national interests. Nuclear industry, geological research and extraction of mineral resources can be attributed to the sphere of national interests.

The introduction of indicated regulatory measures envisages amendments to the Economic Code of Ukraine and the Law of Ukraine «On regime of foreign investment».

- Provision of conditions for growth of export of domestic products. Thus, regulatory measures, first of all, should be directed on increase market share of high-tech goods in Ukrainian export [5]. With this purpose it is necessary to provide government support in upgrading technologies for enterprises that produce and export high-tech products (enterprises of aircraft construction, space industry, military-industrial complex, power engineering, etc).

Among regulatory measures to support exports rightfully we note necessity of development the system of export credit insurance which will increase exports of high-tech products and services on deferred payment terms. In this regard, in Ukraine it is necessary to create the state insurance company which would provide insurance of export credits or use a functioning insurance infrastructure. It should be a strict approach to the licensing of this type of insurance [6].

In the system of state support domestic exports an important measure should be the provision of tax incentives to exporters that provides for the deferral of payment taxes or reduction of profit tax rate for a certain period. It is also advisable to develop a system of information and consulting support of Ukrainian exporters.

- Protection of interests of domestic producers. In this direction one of the main regulatory measures is increase the taxation of imported goods which may be made or produced by national enterprises (for example, polymer products, paints, varnishes, building materials) by amending the Law of Ukraine «On customs tariff of Ukraine». Tariff protection of domestic manufacturers of the specified products will contribute to the further stable development of these activities. In addition, this regulatory measure will be an additional incentive for domestic producers who have started or are planning to start own business with the production of goods in Ukraine.

To protect the domestic market special attention should be paid to the development and implementation of high quality standards including sanitary and veterinary norms, as well as science-based sustainability requirements for products imported to Ukraine.

- Development of the internal market. With this purpose it is legally to introduce a number of the following regulatory measures:
- Ensure the implementation of major infrastructure projects which should increase the internal demand for domestic industrial products. The priority sectors of the national economy which require public investment it is advisable to determine mechanical engineering, mining and metallurgy, production of construction materials etc.;
- Ordering public procurement, public procurement is the most effective lever that can use the government for the expansion of domestic aggregate demand. With the purpose of formation a transparent mechanism for public procurement it is expedient to take steps on formation an information system on the ability of businesspeople to implement state their products; establishing a direct relationship with the domestic companies that are directly involved in the manufacture of products (without intermediaries); strengthening of responsibility for abuses in the sphere of public procurement;
- Improving the system of informing the real and potential buyers and sellers relative to quality and

price offers on the domestic market, providing legal and informational support of marketing activity of the domestic producers, providing a convenient access to such information and sufficient level of its reliability. Solving this problem requires the carrying out promotion activities based on partnership relations between the state and business (fairs, exhibitions and presentations), forming public databases on national proposal;

- Ensure priority development the means of direct supplies of agricultural and food products to the consumer. In particular, this task can be achieved by promoting food fairs, development a system of agricultural markets and control over the procedure, recovery on funds of the local budgets network of fruit and vegetable trade institutions, target directions of state assistance to the agricultural sector on the development such a network, etc;
- Expansion the practice of the establishment trade institutions to ensure uniform coverage of the population trading network, creation of necessary conditions for recovery of consumer cooperatives members of territorial communities;
- Improvement the antimonopoly legislation and the improvement efficiency of the Antimonopoly Committee in Ukraine to ensure the development competition and freedom of entrepreneurship, strengthening responsibility of subjects of economic entities for violation of the antitrust and unfair competition [7].

Thus, efficiency increase of state regulatory policy requires the implementation a wide range of regulatory measures. The maximum effect is possible only in case of complex and system approach to the implementation of relevant activities.

Control and monitoring over the implementation of measures on increasing efficiency of state regulatory policy (the fourth stage) should be directly regulators, who are the main actors of this process. The special role in ensuring the effectiveness of the process of implementation actions belongs to the State service for regulatory policy and entrepreneurship and its territorial offices.

CONCLUSIONS

Our studies allow us to draw the following conclusions:

- Enhancement efficiency of state regulatory policy is essential to ensure sustainable development of the

national economy and increase the welfare of the population in Ukraine. In this regard they propose to carry out process of increasing the efficiency of state regulatory policy in four stages: determination the efficiency of state regulatory policy; estimation influence of factors on the integral performance index of state regulatory policy; the choice of measures on increasing efficiency of state regulatory policy; control over the implementation of measures on increasing efficiency of the state regulatory policy.

- The author has developed a methodology of assessing the efficiency of state regulatory policy rational for the use of bodies of Executive power to determine the level of effectiveness of the state regulatory policy.
- Complex implementation of the proposed measures for improving the effectiveness of state regulatory policy will allow to strengthen the positive dynamics of effectiveness of implementation the state regulatory policy in Ukraine.

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