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**THE ROLE OF HOUSEHOLDS
IN ECONOMY MODERNIZATION OF A COUNTRY****Shynkaruk L. Dr.of Econ.Sc.
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The article discusses the problems and prospects of function and development of households in the context of its role in economy modernization of country. Despite the attention of researchers to the issues of peculiarities of the functioning and development of households it is determined that theoretical and methodological aspects of their significance in providing modernization of the economy as an instrument of its reform and achievement of a new quality of economic growth remain insufficiently studied. The developed sector of households, which in developed countries is an active participant in all economic processes, can become one of the main resource components of modernization processes in Ukrainian economy. To do this, it is necessary to change the models of investment for households and create the appropriate preconditions and mechanisms for its implementation. Significant role is played by the state in forming motivational component of household investment, which is to improve the existing and forming of new development institutions to support households and restore confidence in financial institutions.

Keywords: households, household savings, investments, investment resources of households, economy modernization, economic development.

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**РОЛЬ ДОМОГОСПОДАРСТВ
У МОДЕРНІЗАЦІЇ ЕКОНОМІКИ КРАЇНИ****Шинкарук Л.В., д.е.н.,
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У статті розглядаються проблеми і перспективи функціонування та розвитку домогосподарств у контексті їх ролі у модернізації економіки країни. Визначено, що незважаючи на увагу дослідників до питань особливостей функціонування та розвитку домогосподарств, недостатньо вивченими залишаються теоретичні та методичні аспекти їхнього значення у забезпеченні модернізації економіки як інструменту її реформування та досягнення нової якості економічного зростання. Розвинений сектор домогосподарств, який у розвинених країнах є активним учасником усіх економічних процесів, може стати однією з основних ресурсних складових модернізаційних процесів в економіці України. Для цього необхідно

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змінити моделі інвестування для домогосподарств та створити відповідні передумови та механізми їх реалізації. Значною є роль держави у формуванні мотиваційної складової інвестування домогосподарств, яка полягає в удосконаленні існуючих і формуванні нових інститутів розвитку для підтримки домогосподарств та повернення довіри до фінансових інститутів.

Ключові слова: домогосподарства, заощадження домогосподарств, інвестиції, інвестиційні ресурси домогосподарств, модернізація економіки, економічний розвиток.

Actuality of issue. The financial factors of economy modernization are determined by the availability and the possibility of combining different sources of financing and borrowing instruments according to the type of modernization measures, and can require the use of budget financing or own sources, attraction of bank loans, funds of domestic and foreign investors, including the basis of using financial instruments of the market. In this context, the households investment potential is determined factor of the acceleration of modernization processes in the country's economy, the development of productive forces and the transition to a new trajectory of socio-economic development. Therefore, in a market economy, new demands on economic and social behavior of households have formed, as they are the primary elements of the economic system and affect on its forming and development.

Analysis of the previous researches. A significant place in scientific researches of economy modernization are: a fundamental study of the factors that form the process of targeted changes that bring the economy as a whole together with its same subsystems into a perspective image that is consistent to the modern basic socio-economic values, requirements and challenges of globalization; the development of applied aspects of continuous, implicit process of improvement of institutional, financial, technological, labor, organizational and managerial and territorial structure of the economy for qualitative changes of economy model. The economic aspects of household development and the features of its functioning are researched by Ukrainian researchers, in particular: the functions of a household as a social and economic phenomenon are determined [1]; the specifics of the functioning of a household in various types of economic systems are determined [2; 7]; the features of the forming of household savings and its impact on the country's socio-economic development are determined [6; 12]; the necessity of development and implementation of effective mechanisms of attraction of household savings to economic processes is substantiated [4; 5] et al. However, theoretical and

methodological aspects of the role and significance of households in providing of economy modernization as an instrument of its reform and achievement of a new quality of economic growth remain are insufficiently studied.

The purpose of this article is the determination of the households role in modernization processes and economic development of the country on the basis of analysis of the features functioning in the modern conditions and taking into account the foreign experience of using the households investment resources.

Statement of the main research. The development of any system is determined by the efficiency of the component functioning, therefore ensuring the development of the country's economy is possible in conditions of equally significant attention to each of them. The household has a special place in the economic system of the country, because it carries out such functions: supply of resources to relevant labor, capital and other markets; production of finished goods and services; consumption of goods and services in the market; savings (investing) in case of incomplete use of income for consumption. Therefore, the household carries out economic activity. It is a producer and consumer of goods and services, performs accumulation. The development of market relations not only provided the prerequisites for the entry of a household into the national economy as an equal entity, but also opened new forms of its financial behavior [1, p. 179]. Households as an institutional sector take part in all phases of the economic cycle: production of goods, supply of economic resources, creation, distribution and redistribution of a national product, generation of final incomes, consumption of goods and services, realization of savings and investing.

The role of a household is changed along with the change of the socio-economic order of organization of social life. Therefore, household research should be based on various theoretical concepts. However, the household is a special economic entity, which functions throughout the history of mankind, so it is expedient to study its activities with the help of theories of nonlinear development [3].

Researching households as economic agents, two levels of analysis are used: macroeconomic and microeconomic. The first level of analysis is the study of households as a subject whose behavior affects the national economy. The microeconomic approach considers households as economic units that carry out economic and social functions to achieve their goals. The

combination of both levels of analysis allows determine the role of households in the economic system and the possible socio-economic implications of its activities. Consideration of households as subjects of the economy is carried out not only in the framework of special statistical research, but also recorded in the system of national accounts. It is possible to study households at the macroeconomic level by the system of national accounts.

In the macro-economic aspect, household savings directly affect the forming of GDP and national income. Exactly the growth of savings generates a chain of secondary costs, contributing to the growth of consumer and investment demand of economic entities and the revitalization of business activity in all sectors of the national economy. This provides a multiplier effect on the volume of national production and contributes to the forming of conditions for long-term trends of economic growth.

The interrelation of households' incomes and expenditures with the main macroeconomic indicators in the process of production and use of GDP, as well as saving process with forming of value added and long-term economic growth potential, shows the need not only to form cash and income balances of population, but also to form balances which are based on the principle accrual and compliance of incomes and expenses, as well as movement of financial resources by sources of forming and directions of its use.

Household saving processes in the current period (calendar year) do not have a direct (direct) impact on GDP. However, they play an important role in the medium and long-term, when savings are transformed into investment potential and assets that generate current income and are attracted in the process of expanded reproduction GDP. Disposable income of the household sector is part of GDP this year. At the same time, capital formation is transformed into an investment potential to finance the creation of assets that are capable of generating disposable income and profits in the medium-term (Fig. 1). In Ukraine, the share of household savings in GDP in 2006-2013 was about 6-15% (Fig. 2), which is quite substantial. In the post-crisis period (2010-2012), the share of savings has increased. The post-crisis growth trend was lost after 2013 as a result of inflationary processes and deterioration in the economy. However, at the same, household expenses in 2016 increased by 35% compared with 2014 from 1432.5 to 2007.7 billion UAH [9].

Therefore, household savings are a source of wealth and a "pillow of security" during a recession [4, p. 175]. They allow to reduce debt and to ensure

a decent living standard. Savings are important both for the population and for the state and financial institutions. Banks attract temporarily free funds on deposit accounts and should provide loans. These funds can be invested in stock markets to provide financing to enterprises and modernization project. Therefore, it is necessary to develop and implement effective mechanisms of attracting household savings to economic processes. Basing on the results of various studies [4-7], the priority directions of creation of conditions for attracting investment resources of households are: institutional (forming and development of a network of banking institutions, non-bank financial and credit institutions: credit unions, non-state pension funds, creation of investment institutions, etc.); operational (expansion of the list of financial services and products for a private investor, creation of new investment instruments and appropriate conditions for diversification of household investments); guarantee (improvement of law for guaranteeing deposits taking into account foreign experience, protection and support of competitive positions of domestic financial institutions in Ukrainian market); informational (creation of conditions for access to sources of necessary financial information).

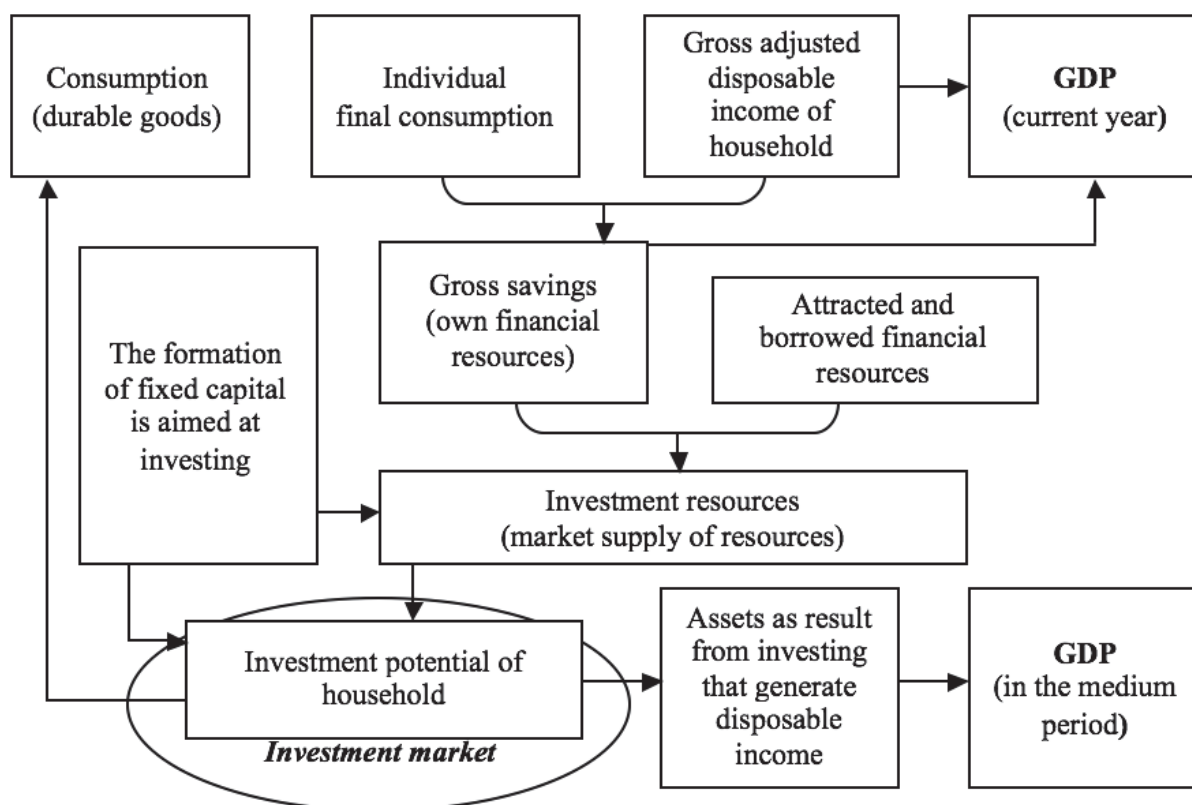


Figure 1. Impact of household savings on GDP
 Source: developed by the author based on [11, p. 26].

In addition, an important aims of the state is creation of favorable conditions for the development of socio-economic activities of households. According to the experience of developed countries they are: implementation of anti-inflationary measures; ensuring purchasing power of households; creation of mechanisms of the elimination of hidden household incomes from the shadow sector economy; creation of mechanisms of forms choice of savings and investments; preferential lending of households that carry out innovative activities; encouraging the development of small business in all areas of production.

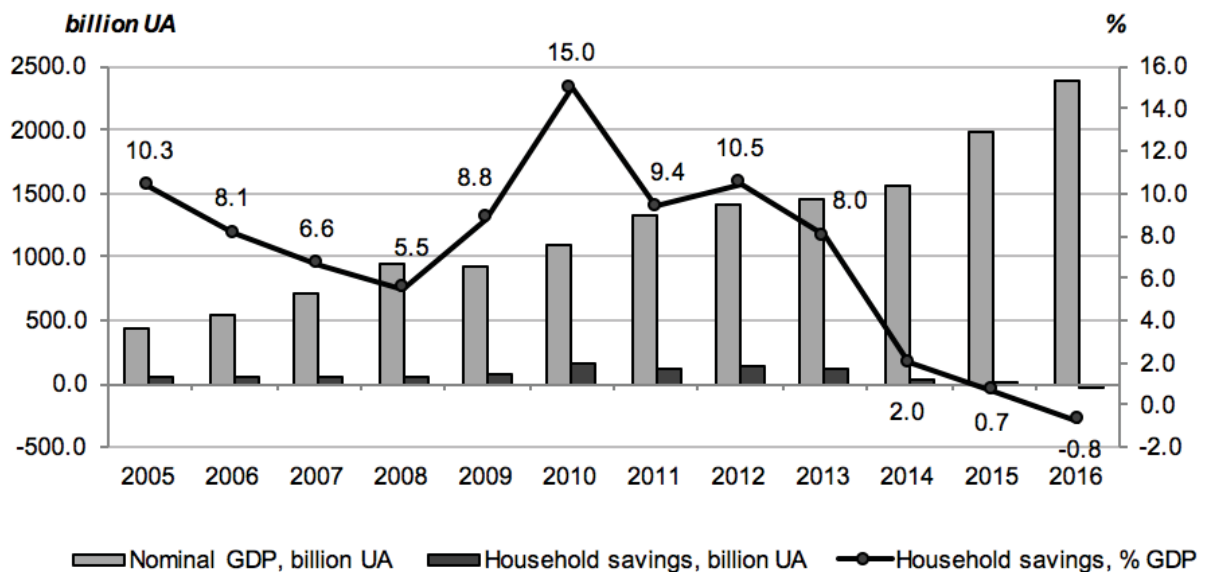


Figure 2. Household savings of Ukraine, 2005-2016

Source: developed by the author based on [9].

In the scientific literature different approaches to modeling of the income structure, the average and marginal propensity of households to save are presented [10]. Households, as separate economic entities, have financial capabilities – incomes that can be formed by different ways – from productive activities, from property and property rights, on the basis of redistribution, etc. The financial potential of households is considered as an important component of the country's potential within the concept of sustainable development. In the early 1990s, sustainable development was seen in three dimensions (environmental integrity, efficiency of economic activity and social justice) and in the context of the three institutional components (state, business and society).

Thus, the economic essence of household saving processes, as an important institutional sector of the economy, is revealed through role in the forming of wealth and investment resources directed to reproduction GDP to ensure further economic development.

Some aspects of the household savings problem are revealed in researches of Ukrainian scientists. Certain issues of the forming and use of investment potential of households in ensuring the country's economic development remain controversial. The cumulative savings effect determines tempos of economic growth, volumes of production, the level of technical progress, the country's economic power and the welfare of its population [8]. Volumes of household savings is a part of the household income after the payment of obligatory payments and current consumer spending, which household members invest primarily in financial (less often non-financial) assets in order to receive future income or postpone (deduct for a certain period of time from personal use) in order to meet future needs and minimize probable risks [5]. As a phenomenon, household savings reflect the internal (unorganized form of savings) and external (organized form of savings) cash flows aimed at improving the well-being of the household in future periods [5]. The content of household savings is money funds that households form in order to meet their future needs or provide future income. In the form of saving - this is part of the non-consumed in the current period of the aggregate household income, which, in the form of organized form, transforms into investment costs, and in the unorganized form, is displayed for a certain time from circulation (that is, it remains with the population).

The main sources of incomes are wages and salary, gross operating surplus, mixed income from entrepreneurial activity and property, net state transfers in the private sector and the percentage of domestic debt, social transfers (in cash and in kind), net transfers of the external sector (migrants), and other receipts of the current period. Predisposition of households to consume, save and invest is determined by the population demand for products of the consumer, financial, and investment markets. Most approaches in the scientific literature are based on the estimation of the volume incomes and the level of property providing [2; 13]. At the same time, the change in the structure of household incomes is characterized by significant deviation of the existing structure of incomes from the optimal model for all main points of income, namely: low share of wages and salary, incomes from entrepreneurial activity

and property in total household income (especially in rural areas); high share of transfer payments; an increase of revenues from members of households who went abroad for work [12]. At present financial and economic space the problem of asymmetry of information are unresolved. This leads to the loss of some market participants and the receipt of extra profits by others. This problem is particularly relevant for emerging markets, in particular in the part of the lack of efficiency of information systems and the control of regulators of the quality of information (transparency, reliability, timeliness, efficiency, impartiality, etc.) within the market of investment operations, the financial state of market agents and information, which comes from external (non-market) sources and affects on market activity.

The existence of negative events in the investment sphere shows the different level of awareness of market agents and the presence of hidden income flow scheme and their concentration in a small number of households. The negative consequence of this is the investment of the latter outside Ukraine. Asymmetry information of the investment market is a consequence of the financial operations of market agents (cross-sectoral information asymmetry), as well as the risks of intra-sectoral impact. At the same time, the problems of informatization and information structure of markets, undocumented arrangement of investment, legal certainty of reliability and other qualitative characteristics of the information about the buyer, the seller and investment instruments on the investment market as well as the simple and transparent norms of state and market regulation of this market are actualized.

Consequently, in order to transform savings into investment potential, institutional conditions that will positively affect the scale and nature of investments should be formed. Some types of investments (in particular, public transport, environmental innovation projects, ecological projects at the regional level, increase of cultural property, etc.) require the state to participate in ensuring demand for investment resources and the return of household resources.

Minimization of the risks of economic losses from reducing of the investment potential of households and the forming of an appropriate investment market requires its theoretical and methodological providing.

Modern conceptions of investment potential forming should be based on the trends of the globalization economy, the expansion of labor markets, the

differentiation of incomes level of migrants in same countries, and its impact on the volume of investment potential.

The role of the state in forming of the motivational component of household investment is to provide state guarantees and improve existing and forming of new development institutions, which also should be a support and a guarantee of confidence in households.

It can be concluded that the level of implementation of the investment potential of households is low due to inadequate providing of this process and insufficient protection of investors' capital. Failure of compliance safety of this process, other incentives and the interest of the population to invest in Ukraine creates threats of direction funds to attractive investment projects abroad. Therefore, it is important to create an appropriate investment market in Ukraine.

Conclusions. Developed sector of households, which in the developed countries is an active participant in all economic processes, can be one of the main resource components of modernization processes in the economy. Therefore, state policy should be directed to creation of conditions for growth household incomes, stimulation of the birth rate, raising employment rates, encouraging private entrepreneurship initiatives, supporting of develop activities of households-producers, and creation of favorable lending conditions. It is important to create appropriate state mechanisms of transformation of household savings into investment potential and, accordingly, in extended reproduction of country's GDP. However, the lack of a civilized investment market, the appropriate state policy of forming of investment resources, guaranteeing and realization of investing have a negative effect on the economic behavior of households. In the sense of households, investment remains risky due to negative practices in the past (unethical actions of financial intermediaries, loss of bank deposits, absence of dividends on ordinary shares, etc.). Thus, in Ukraine, it is necessary to change the models of investment for households and create the appropriate preconditions and mechanisms of its realization. The role of the state in forming the motivational component of household investment is significant and consists in providing state guarantees, improving existing ones and forming of new development institutions for supporting of households and returning investment trust.

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