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IMPROVEMENT OF THE INSTITUTIONAL SUPPORT FOR THE MECHANISM OF THE STATE CONTROL OVER DEVELOPMENT OF THE CORPORATE SECTOR OF UKRAINE'S ECONOMY

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ВДОСКОНАЛЕННЯ ІНСТИТУЦІОНАЛЬНОГО ЗАБЕЗПЕЧЕННЯ МЕХАНІЗМУ ДЕРЖАВНОГО РЕГУЛЮВАННЯ РОЗВИТКУ КОРПОРАТИВНОГО СЕКТОРА ЕКОНОМІКИ УКРАЇНИ

This article discloses vital aspects of improvement of the institutional support for the mechanism of the state control over the innovation-based development of the industrial business in the corporate sector of the national economy. The author establishes the main priorities in the state control over the innovation-based development of the corporate sector of the national economy such as creating the preconditions and incentives for the innovation-based development; developing competition and institutional control over markets; modification of the economic environment infrastructure; creation and development of the system of innovations. Institutional basics of the preferential strategy that can be evident in implementation of investment projects focused on the innovation-based improvement are defined. To improve the business environment infrastructure, it is recommended to make and develop activities and tools for public private partnership in implementation of large investment and infrastructure projects. Strategic directions are set to build the system of control over the public private partnership development in Ukraine.

У статті розкриваються актуальні аспекти вдосконалення інституціонального забезпечення механізму державного регулювання інноваційного розвитку промислового бізнесу корпоративного сектора економіки країни. Автором обґрунтовано основні пріоритети державного регулювання інноваційного розвитку корпоративного сектора економіки країни, такі як: формування передумов і стимулів інноваційного розвитку; розвиток конкуренції та інституційне регулювання ринків; інфраструктурне вдосконалення економічного середовища; створення та розвиток інноваційної системи. Визначені інституційні основи преференційної політики, які можуть проявлятися при реалізації інвестиційних проектів, спрямованих на інноваційний розвиток. Для вдосконалення інфраструктурного середовища бізнесу рекомендується розробити і розвивати заходи та інструменти державно-приватного партнерства у сфері реалізації великих інвестиційних та інфраструктурних проектів. Визначено стратегічні напрями формування системи управління розвитком державно-приватного партнерства в Україні.

Keywords: institutions, institutional environment, corporate sector, implementation of innovation, governmental regulation of corporate sector.

Ключові слова: інституції, інституціональне середовище, корпоративний сектор, впровадження інновацій, державне регулювання корпоративного сектора.

Problem statement. The modern negative trends in the development of the national economy require augmenting of the state involvement in stimulating an exit from depression. It is the corporate sector of Ukraine that will be a driving force to ensure an economy growth; hence, the government shall take urgent measures to improve the components of the institutional support for the mechanism of the state control over development of corporate entities in Ukraine in order to increase their ability to compete on the world market.

Analysis of recent researches and publications. Theoretical and methodological issues of institutionalization are the subject of research of large cohort of scientists, embodied in the work R. Coase, K. Menar, D. Nort, V. Polterovych, M. Porter, J. Stigler, A. Shastitko and others.

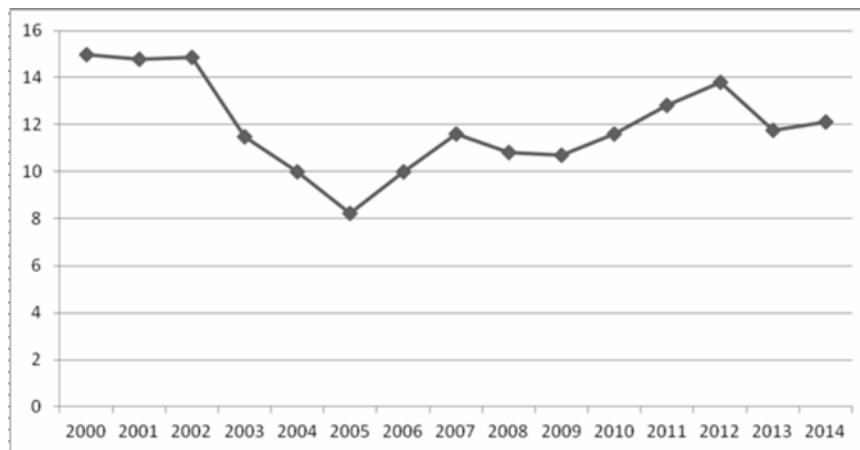
The Ukrainian scientists examined separate issues of the institutional policy, namely: V. Bakumenko, V. Bodrov, V. Heiets, O. Ivashyna, V. Dementiev, I. Malyi, B. Mandybura, L. Olifrenko, A. Tkach, L. Fedulova and others.

However, some areas of development of innovation environment, which will create the preconditions and incentives for the innovation-based development of business entities and private partnership, remain poorly studied.

The purpose of the article there determined main directions of improvement of institutional support for the mechanism of the state control over development of the corporate sector in Ukraine that will contribute to creation of incentives and preconditions for the innovation-modernization based development of the corporate sector enterprises.

Main material. The contemporary development of the corporate sector in the Ukrainian economy is for the most part concentrated in the industry and faces the challenges of the competitive pressure of the global productive sector, which is escalating and taking the forms negative for the domestic economy. The factors influencing the requirements to the national corporate sector development in the coming decade include globalization of the world economic territory, innovatization of the world economy are.

Within the last 15 years, not more than 15 % of the Ukrainian enterprises have upgraded their production (draw. 1), and most companies operate the overage equipment. However, success cannot be achieved with the last century's machinery. Specialists invent new technologies – more effective, precise, fast – almost every year.



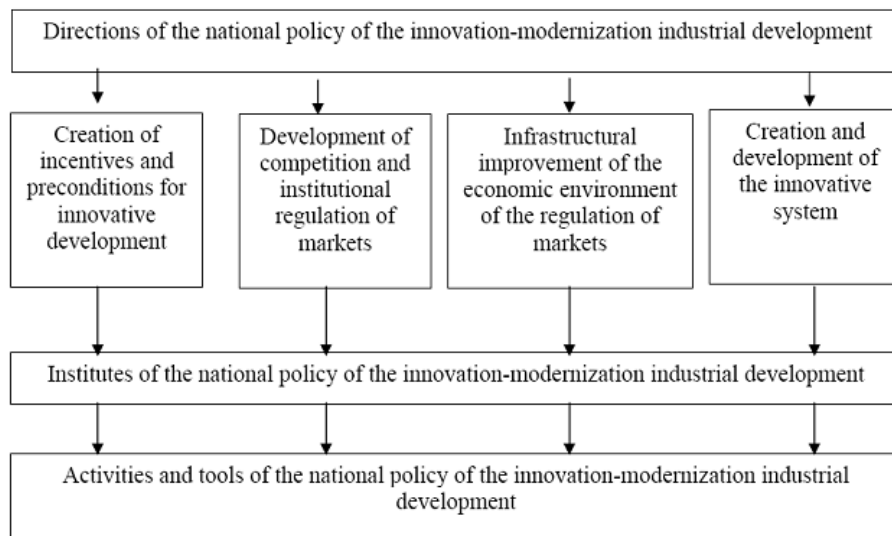
Drawing 1. The Share of the Ukrainian Enterprises that Introduced Innovations in 2000-2014 [1, 2]

The Ukrainian management's failure to develop and put into practice the advanced state-of-the-art tools and methods of production and administration, aimed at incrementing the competitive advantage of domestic enterprises, will determine the Ukrainian economy's minor roles in the global space, having fixed the Ukraine's image of a world raw material center. At that, a great part is assigned to the national social and economic policies, whose mission is to create incentives and preconditions for the innovation-modernization type of development of the corporate sector enterprises. The relevance of solving the innovatization problem for this very sector of economy is explained by a number of factors:

- the strategic role of large enterprises, playing a crucial role in the process of ensuring the GDP creation, hence, their efficiency and competitive strength to a considerable extent program the quality of development of the national economy;
- the degree of innovatization of a certain economy sector, which determines the nationwide labor productivity;
- the ineffective corporate structure of the market supply, formed by vertically integrated companies with organizational principles of activity, on the one part, are focused on gaining the effects of the vertical diversification, on the other part – precondition persistent manifestation of the facts of unethical competition;
- the extremely ineffective industrial policy, failing to create incentives for innovative modernization of the enterprises, which leads to exclusively extensive production development.

Therefore, for the time being, relevant are the proposals oriented towards development of the institutional environment, which will create preconditions and incentives for the innovative development of industrial enterprises, which, in their turn, will have a positive impact both on the competitive status of these enterprises and on the competitive capacity of the national economy in general.

In drawing 2, we marked directions of the national policy targeted at the state regulation of the innovation-modernization type of the corporate sector development.



Drawing 2. Defragmentation of the national policy of the innovation-modernization industrial development [3, c. 56]

As is seen in the drawing, the entire state regulation policy can be divided into four global directions.

1. Formation of preconditions and incentives for the innovative development. This direction shall comprise the preferential policies and the regulation and deterrence policies. That is, on the one side, the state shall create more favorable conditions for the innovative business (tax, credit and financial, infrastructure and other incentives), on the other side, the state shall elaborate a set of measures of financial and economic responsibility in cases when the non-innovation path of business development is selected.

2. Development of competition and institutional regulation of markets. This direction of the state regulative policy is oriented towards implementation of the fundamental function of the state – the institutional provision of effective functioning of regional and national markets. The measures of this direction focused on development of competition as the basic institutional form of the economy innovatization. The mission of the state shall include the institutional regulation of competition and prevention of market monopolization.

3. The infrastructural improvement of the economic environment provides for creating the infrastructure for the innovative business development. This direction shall include the measures oriented towards creation and development of both the classical infrastructure - logistic, financial, market, and the infrastructure for the innovation products – technology parks, research centers, consulting business etc.

4. Creation and development of the innovative system. This direction of the state regulation of the innovation-modernization development envisages creation and

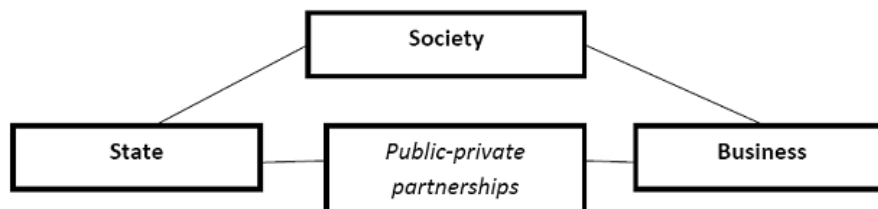
development of the regional innovative subsystem within the framework of the national innovative system. Here, provision shall be made for a set of measures focused on development of generation, distribution and consumption of the innovative products by the regional industrial business.

In its regulatory activity, the state pursues gaining social and budgetary effects, and the corporate sector is focused on pursuing commercial effects (including those gained due to the market monopolization). Thus, a mechanism of the effective interference of the state and business interests shall be created in order to implement the goals of the national economy development.

Specifically, the institutional basis of the preferential policy shall be provided, which may manifest in implementation of investment projects focused on the innovative improvement. This institutional basis shall provide for preferences in the form of subsidies for lean interest rates, government guarantees, and assignment of land plots for the purposes of innovation development, preferential tax treatment, preferential rental rates for the land plots in property of territorial and public ownership.

In the framework of improvement of competition and development of markets, it is important to address the procedural and process support of the product turnover, the pricing improvement, mechanism of prevention of monopolists' plots.

The interaction and balance between the society, state and business affect the successful functioning and development of not only corporate structures and economic system, but that of the entire country. Therefore, the consideration of any public issue concerning the social and economic development of the country shall be based on consideration of activities and response of the three major factors: the state, the society and business.



Drawing 3. Interaction between society, the state and business

The special position in this scheme is taken by the institute of the public and private sector partnership, representing an economic and legal form of contractual relationship regulated jointly by the state and business. Its peculiar feature is that it is considered as one of the foundations of the state regulation of corporate structures.

To improve the infrastructural business environment, measures and tools of the state and private partnership in the sphere of large investment and infrastructural projects shall be designed and developed. Application of the tools of the state and private partnership is the sole way to engage private business in such projects (capital intensive and having low return on investment). The state support to the institutes of the innovative solutions generation, distribution and consumption by the industrial business is one of the basic vectors of the regional innovative subsystem development. The state institutions shall be established that would create the incentives of the innovative development in terms of generation, and development of the innovative products market – to organize and develop technology parks, innovation centers, business and investment community, venture funds etc.

The immature system of the institutional support of distribution of the projects for the public-private partnerships (PPP) implementation in Ukraine is related to the absence of the active business environment in the sphere of infrastructural projects and the lack of the private sector confidence in implementation of the relevant economic mechanisms, restricting the common investment process.

Therefore, the most important function of the state regulation of the interaction between the state and corporate sector is the stimulation of development of competitive principles in concluding contracts, renting, leasing and concession of the state property, its provision on a competitive basis subject to improvement of tender procedures.

At the same time, it should be noted that there are risks in the sphere of PPP, associated with the work of the government authorities, including:

- the regulatory function of the state in the economic, legislative relationship (constantly changing legal framework, taxation system, absence of a unified PPP program);
- political risks (e.g., shifting priorities of the state social and economic policy, which may result in changes in state funding directly related to the PPP projects).

When the government or its course changes, the uncertainties that may influence the project implementation conditions intensify. At that, the long-term projects, such as concession, designed for 25-30 years at the average, are the most vulnerable.

The strategic directions of formation of the system of the PPP development management in Ukraine shall be implemented at macro and micro levels and shall include:

- provision of the institutional environment of partnership, eliminating inconsistencies and demerits of the legal basis;
- creation of the industry and regional network of centers to promote the SPP development;
- elaboration of methodical recommendations for the project implementation;
- introduction of the program- and project-specific funding in the medium-term state budget planning.

In summary, implementation of the proposed directions for improvement of the state regulation of the innovation-modernization development of the corporate sector will make it possible not only to increase the competitive status of the industrial business proper, but also to trigger development of the entire national economy.

Conclusions and prospects for further research. The corporate sector as the object of the state regulation is a dynamic social and economic system, for which it is essential to create conditions for functioning and development, introduce progressive economic and social institutions with the organizational and legal form contributing to a compromise between the social, state and private interests, until the goals of each of the management process participants are achieved.

We plan to focus the main directions of further research on improvement of the institutional basis of the preferential policy of the government regarding perfection of the mechanism of state regulation of the corporate sector.

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