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## CONTENTS

<b>Ralitsa Dimitrova</b> LEISURE TIME IN THE ERA OF SMART TECHNOLOGIES	4
<b>Plaksiienko Valerii, Chyrychenko Yurii, Dzhakheidr Emad Adburavi Ramadan</b> NATIONAL TRADE AND HOSPITALITY INDUSTRY IN PANDEMIC TIMES: BEHAVIORAL ECONOMICS ASPECT	11
<b>Yatsykovskyy B. I., Bilanych L. V.</b> ECONOMIC SUBSTANCE OF A STATE REGULATION OF THE MINING INDUSTRY DEVELOPMENT	19
<b>Anatolii Chynchyk, Galyna Ivanyshyna</b> INSTITUTIONAL MECHANISM FOR TAX POLICY FORMATION AND IMPLEMENTATION: THEORETICAL DISCOURSE	25
<b>Lapina I.S., Korolenko O.V.</b> MODERN APPROACHES TO ANALYSING THE PECULIARITIES OF CAPITAL FORMATION OF WINERIES (ON THE EXAMPLE OF ODESA REGION)	32

**JEL Classification: L83, Z30, Z31**

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## **LEISURE TIME IN THE ERA OF SMART TECHNOLOGIES**

*Received 10 June 2020; accepted 15 June 2020; published 19 June 2020*

**Abstract.** *The scientific article aims to examine the impact of smart technology on the use of leisure. The emphasis is placed on the opportunities that trends in the use of leisure time provide to the tourism industry. Special attention is paid to the possibilities of different use of smart technologies in online tourism. The factors that influence the trends for the use of leisure time on the Internet and social networks are pointed. The author defends the thesis that smart technologies` development influences the trends in the utilization of leisure time.*

**Keywords:** *leisure time, tourism, smart technologies, trends, Internet.*

**Reference** to this paper should be made as follows: Dimitrova, R. (2020). Leisure time in the era of smart technologies. Economics and Finance, Volume 8, Issue 2, 4-10.

### **Introduction**

With the advent of the Internet in people`s daily lives, their way of life has changed radically – how they work, rest, and perform their duties. Moreover, their form of communication has changed. Potential clients in both tourism and almost all other industries are already looking for information online, communicating with other clients of a particular organization, making assessments. The modern tourists do this mainly through their phone or tablet. Smart technologies and applications provide access to online space anytime, anywhere.

The subject of research in this article is leisure time. The object of study is the relationship between trends in leisure and smart technologies.

The scientific article aims to explore and discuss the impact of smart technologies on the use of leisure. To achieve this goal, the author sets the following research tasks:

- review of smart technologies in tourism;
- analyzing the changes in the use of leisure time;
- assessment of the utilization of leisure time through smart technologies in tourism.

### **Literature Review**

The scientific article contains information from selected literature and Internet sources, related to the analysis of leisure time and online tourism. To achieve the goal of research and solve the formulated tasks are used the methods of analysis of scientific concepts on the treated issues in the specialized literature, synthesis of author`s ideas and data, and scientific discussion, in defense of the author`s thesis that trends in the use of leisure are in close connection with the development of smart technologies and their application in tourism.

## Methods

The **mass use of smart technologies for Internet access** suggests targeting the tourism business's efforts in this direction. Technological advancement is pushing for the *improvement of online travel platforms* in order to make them easier to use through smartphones and tablets. Various factors determine the changes in the trends for the use of leisure time and directing users to smart devices. The article discusses the main prerequisites and outlines the possibilities associated with these trends.

## Results

### Smart technologies in tourism

The Internet opens up great opportunities for the development of various **new technologies**. Moreover, the online space encourages **faster technological progress**. All traders' goal is to produce and offer their products more efficiently and at a lower cost.

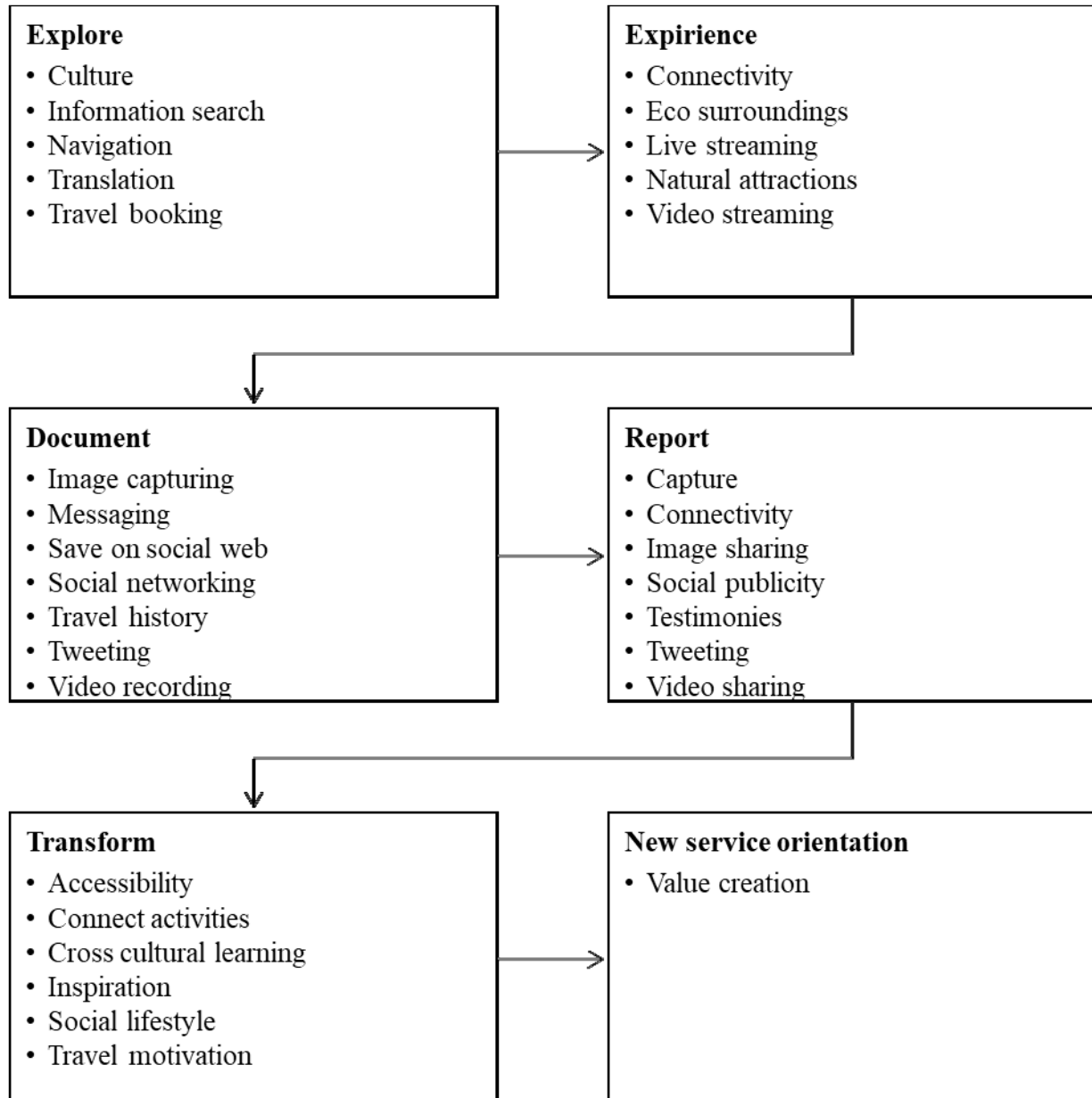
The tourism industry is no exception. The Internet is gradually becoming a *significant source of information* [4, p. 514]. Some examples are the many advertising sites, platforms for direct booking of accommodation, and online portals containing information about specific destinations, tour operators, travel agents, hotels, airlines, and other various participants in the tourism market.

The Internet is so widespread and used so often that access to it only through the computer at home is no longer sufficient and convenient. The advent of **small and easily portable smart devices** seems like a natural consequence. There are many examples: *tablets, phones, watches, even glasses*. Some of them are more accessible and easier to use; others require more investment and effort. The compact size and the ability to be transported anywhere make it **easier to use and maximize their value**.

The use of smart technologies in tourism can be explored from many perspectives. Figure 1 shows the different aspects of their *usefulness to tourists and the tourism industry at the same time* (see Figure 1). Smart technologies in tourism are **a catalyst for the development of the sector**. They allow for easier access to tourist sites via the Internet. The use of portable smart technologies helps to create **a higher value of tourism products and services**. Tourists can document their experiences and share them with acquaintances or strangers. Moreover, due to most smart devices' compact size, they are easily portable [2, p. 226]. At the time of use of any travel service, every traveler can enjoy the benefits of smart technology and uninterrupted internet connection.

Smart technologies can be used anywhere and anytime. This fact opens up many **opportunities for the tourism industry**. The examples are many, but the most commonly used are Live streaming *on Youtube, Facebook or Instagram*, uploading photos and videos and sharing opinions on social networks (most often *Facebook, Instagram, and Twitter*), online booking of various travel services, translation from one language to another and others.

The online space contributes to **cross-cultural learning** not only through social media interaction. Another form of creating a cultural identity is the formation of new cultural forms, which is valuable for preserving the customs and traditions of people [6, p. 279]. This process is helped by the widespread use of the Internet to explore the culture. By creating the possibility of finding new information, fascinating cultural sites and landmarks, the Internet and smart technologies become an essential part of the transformation of cross-cultural learning. This process helps tourism become more popular and assists tourists in finding more exciting destinations and cultures to visit and explore.



**Figure 1. Use of smart technologies in tourism**

Source: Systematization of the author from Atembe, R., *The Use of Smart Technology in Tourism: Evidence From Wearable Devices*, *Journal of Tourism and Hospitality Management*, Elsevier, 2015, Vol. 3, No. 11-12, p. 226.

Table 1 shows a comparison of **Live streaming** with the standard capture of a photo or video published on social networks, online booking portals or the websites of various travel companies (Table 1). The live broadcast allows for a **more authentic presentation of tourist products**. There is no ability to edit and distort reality, which attracts the audience and creates a **sense of security and trust**.

**Table 1. Comparison of visual media in tourism**

	Photography	Videography	Live-streaming
<b>Presence</b>	Low	Medium	High
<b>Time</b>	Pre-recorded	Pre-recorded	Real-time/archived
<b>Space</b>	Virtual	Virtual	Blended
<b>Performance</b>	Raw/Edited	Edited	Unedited
<b>Authenticity</b>	Contrived	Contrived	Staged authenticity
<b>Storytelling</b>	Static	Scripted	Spontaneous
<b>Social interaction</b>	Asynchronous	Asynchronous	Synchronous

*Source: Systematization of the author from Deng, Z., Blended Tourism Experiencescape: A Conceptualisation of Live-Streaming Tourism, Information and Communication Technologies in Tourism 2019, Springer, 2019, p. 214.*

Another essential advantage of Live streaming, provided by smart technologies, is the possibility of a **more saturated online presence**. This activity does not involve additional costs and does not require a highly professional qualifications.

Uploading photos and videos to social networks and Internet portals, in turn, also brings some *significant benefits*. Tourist brands in practice have an **unfair advantage** over other brands in terms of images. People like to watch photos and videos of the places they want to visit [11]. Capturing high-quality images of a landscape or cultural activity is more accessible with modern *smartphones and tablets*. What's more, the current trend is to **tag and hashtag** every time a photo, video, or post is posted. In this way, online users can see **more visual information** about a specific destination, landmark, or travel product.

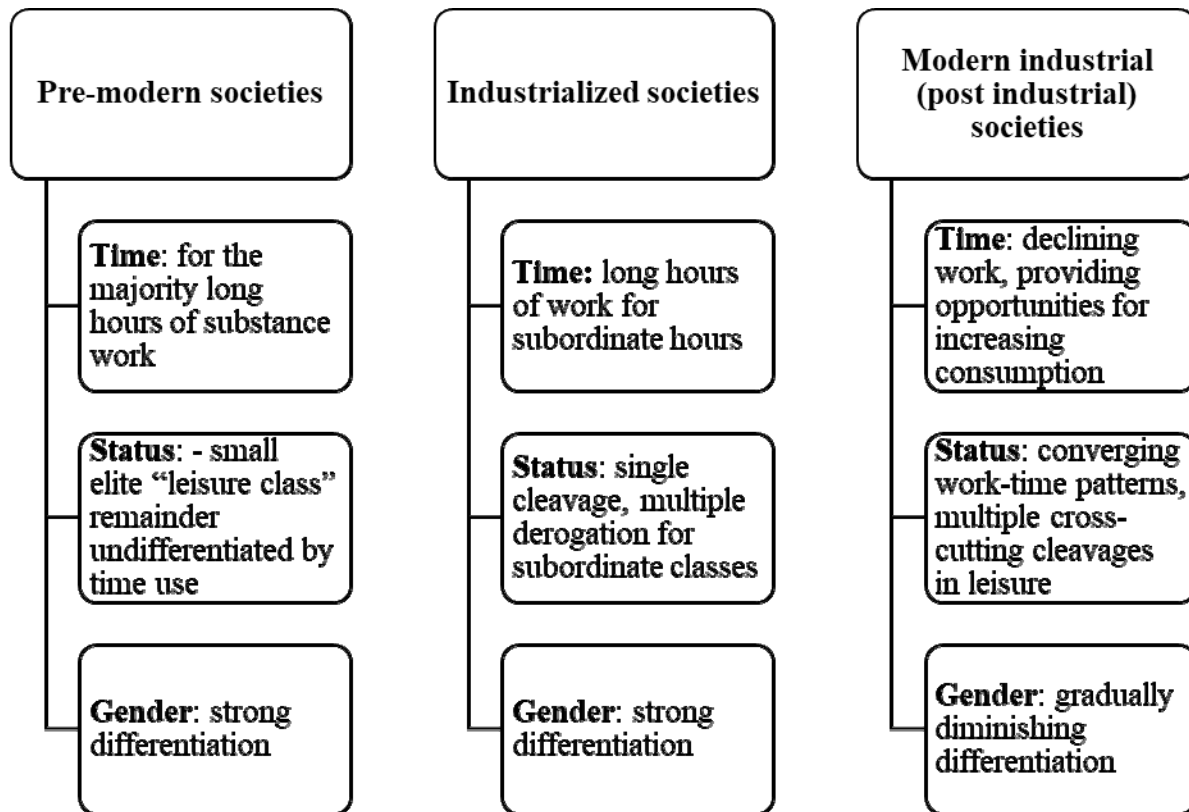
Last but not least, smart devices provide quick and easy access to online booking platforms. Tourists can plan their trips not only from home. In practice, they **make changes while traveling** [10]. Nowadays, travel tickets by various means of transport or visiting tourist attractions are not issued on paper. Travelers have tickets for their trip **saved in smart apps or as a photo on their phone**. They don't need to print anything but instead have to open their smart device and show it at the airport or in the museum.

### **Changes in the use of leisure time**

Life is continually changing. This is due not only to the introduction of new technologies but also to many other factors. The time in which a person can rest or do something pleasant becomes more and more limited with age and increasing

commitments. Free time is also determined by what a person does, whether they have children or other obligations take up part of their day.

As shown in Figure 2, **modern societies appreciate the need for free time** for enjoyable and beneficial activities (Figure 2). Travel is becoming more affordable in terms of finances and the ability to leave the city or country.



**Figure 2. Typology of development in the use of leisure time**

Source: Systematization of the author from Roberts K., *Leisure and the contemporary society*, Cabi Publishing, 2006, p. 57.

The work is becoming more automated, and the implementation of computer technology and the Internet allow most activities to be performed faster, smoother, and more efficiently. On the other hand, there is a feeling that there is not enough time for everything. The constant rush leads to the so-called "**time deepening**".

**Time deepening** is the change from thinking in terms of "either, or", exercising one activity or another, to **doing several things at once**. It manifests itself in *four ways*:

- attempt to complete a specific activity faster;
- replace some pleasant activity related to rest and recreation, which requires more time, with another similar one, which happens more quickly;
- performing more than one action at a time – multitasking, primarily through digital technologies;
- activities related to rest and recreation are carried out on a strict schedule that does not allow waste of unnecessary time [8, p. 41].



This need to save time is reflected in the use of the Internet to organize travel. People spend most of their time in front of a computer or other device that uses the Internet. As of April 2020, there are 4.57 billion active Internet users worldwide. Unique phone profiles on the Internet are 4.2 billion, and almost everyone who uses social media (3.81 billion) does so via a smartphone (3.76 billion) [12]. This data in itself suggests that **a large part of their free time people spend online, on social networks, through their smartphones**. That is why the tourist enterprises' tendency to focus on *offering their products and services on the Internet* remains.

#### **Utilization of leisure time through smart technologies in tourism**

Smart technologies in tourism are used in two main directions – **from the business' side**, to reach potential tourists and **from consumers' side**– to access information about destinations, hotels, and various tourist services. Travel businesses use the Internet and smart technologies as they realize over time the broad “audience” they can reach through them. On the other hand, these same technologies make the tourism business processes more simple and more comfortable – *less paperwork, more efficient communication, mobility, and ability to work outside the office*: from home, while on the move, or even when on holiday.

All these possibilities are a reality since people spend most of their time online and mainly through smartphones and tablets. It turns out that this works: in 2017, in Spain, the most clicks from smart devices were realized for ads related to travel and tourism (38%), restaurants are in third place with 33% [13]. This data shows that **consumers are mainly interested in tourism activities when it comes to their free time**.

#### **Discussion**

The main focus of online business in the short term is the sale of tourist products and services, ticket booking, accommodation [1, p. 58]. The Internet's current opportunities allow travel companies **to pay attention to customer preferences** and understand which sites they favor. Only the information that is needed to make a purchase decision is provided, without unnecessary details. Smart devices allow data to be **presented in the most exciting way possible**. The aim is to attract the attention of potential tourists. They can **use their free time to travel** instead of some other activity.

Every trip has **five main stages**: *dreaming (choice), planning, booking, experiences, and sharing* [9]. Smart technologies are at the heart of much of people's daily lives. For this reason, **the smartphone and tablet are usually an indispensable assistant in planning any trip**. Travelers have **all the information they need, gathered in one place, accessible from a device that fits their pocket**. In this way, they save part of their free time, effort, and expenses.

Consumers of travel services can make reservations from their smartphones, which saves them time. Also, one of the threats to online tourism is **the danger of fraud**. Smart applications and technologies allow tourists to check the reviews of a hotel or restaurant at any time. In case they travel, and one of their reservations is

canceled, they can quickly and easily make another. It would save them a waste of time searching for a hotel on arrival.

### **Conclusion**

Smart technologies are a catalyst for the development of the tourism industry. Businesses that realize the importance of the Internet in people's daily lives focus on online supply and services consumption. Smart devices provide quick and easy access to travel sites. Thus, various market participants are striving to improve their platforms to be accessible through smartphones and tablets.

Trends in the use of leisure time are a prerequisite for the development of the tourism industry and the generation of more revenue and profits [5, p. 218]. The mass penetration of social networks encourages users to increasingly use their smart devices when surfing the Internet. They are more compact and easily portable. The development of intelligent technologies influences trends in the utilization of leisure time. They are one of the main reasons why consumers spend even more time online.

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**NATIONAL TRADE AND HOSPITALITY INDUSTRY IN PANDEMIC TIMES: BEHAVIORAL ECONOMICS ASPECT***Received 15 June 2020; accepted 19 June 2020; published 23 June 2020*

**Abstract.** *The purpose of this study is the further identification of different aspects of the further development of the National Trade and Hospitality Industry in the context of new economical, psychological, and social conditions.*

*It was found, that the real situation in Ukraine is much worse than official statistics available from national governments. All possible impact on the global economic environment will be much more sophisticated than only simple short-term reducing economic activity. Media are sending a strong message for potential clients and investors of the Hospitality Industry, and label it as “The danger’s territory”.*

*Extrapolation and systematization risk factors were performed from different sources. It was concluded that the industry should begin developing a communicative strategy and informational company based on the behavioral psychology of pandemics with unification and standardization of all business processes for reducing risk factors.*

**Key words:** *national trade, hospitality industry, COVID-19 era, communicative response, behavioral economics of pandemics.*

**Reference** to this paper should be made as follows: Plaksiienko, V.; Chyrychenko, Y.; Dzhakheidr, E. A. R. (2020). National trade and hospitality industry in pandemic times: behavioral economics aspect. Economics and Finance, Volume 8, Issue 2, 11-18.

**Introduction**

At the beginning of our work, we need to state, that this article represents the second part of the studies. The first part, the article: “Hospitality Industry: Behavioral Economics And Psychology Of Communication In Covid-19 Era.” has been accomplished in March 2020, then the deadly COVID-19 outbreak already hit China and started to spread throughout the Global World. According to WHO disease outbreak is the occurrence of disease cases in excess of normal expectancy [12]. The significant resonance and public attention to this thread were grown exponentially from the beginning of 2020 year. Economically speaking the new coronavirus has become a short and long term factor, which in a worst-case scenario can trigger a

global economic crisis, financial collapse, and large-scale bankruptcy. Although these negative perspectives are very serious and disturbing enough, we will focus our attention on the principal impact of such a pandemic on the Ukrainian national economic environment, the National Trade, and Hospitality Industry.

### **Literature Review**

World and national literary sources were used as a basis for the research. For purposes of properly representing an expert's assessment, expectations, and forecast, and also for modeling informational environment from a position of an external observer, we can mention only very few Worlds news article's titles, from hundreds or possibly thousands, thus that become available at the time of writing the paper:

The Telegraph: "Coronavirus impact will be bigger than trade war";

South China Morning Post: "Forget Sars, the new coronavirus threatens a meltdown in China's economy";

The Street: "With nearly 70 000 infections worldwide, coronavirus continues to baffle experts";

ABC News: "Coronavirus has a second wave of economic terror, disrupting business supply chains and revenue";

The National Interest: "Coronavirus proves one thing: China's rise is built on quicksand";

Business Stuff: "Coronavirus: Hundreds of tourism jobs lost and fears more at risk" and higher. ;

CNN: "Why stocks keep moving higher. And higher. And higher." (Why do stocks continue to rise in the face of anxiety, out the coronavirus?);

Zero Hedge: "Tankers, Tankers. Everywhere!"-Virus causes historic' Traffic jam' across Asian supply lines";

Barron's: The Dow Dropped 270 Points Because Coronavirus Is Spreading Outside of China;

Reuters Singapore: Dollar dominates as investors dump yen, Asia currencies on coronavirus spread;

CNN: Coronavirus outbreak to cost airlines almost \$30bn

Bloomberg Opinion: The Economic Hit From Coronavirus Is All in Your Mind (Psychology can be more powerful than facts when it comes to the impact of an epidemic.)

As we can see, the widespread concern about damage to the world's economy is based not only on simply economical factors, such as trade restrictions or possible damage for the workforce. In the first place with this informational environment going psychological factors (phobias and fears) group and mass psychological factors (different demonstration of hysterical or panic behavioral, racism) and different political and behavioral restrictions (travel bans and other restrictions).

Changing the focus of view and moving it to the national field:

<https://voxukraine.org/>: Impact of COVID-19 on Global Economy and Ukraine's Foreign Trade [11];

<https://www.kmu.gov.ua/>: Denys Shmyhal announced the Program of Government to recover from the economic crisis as a result of coronavirus pandemic;

<https://www.wilsoncenter.org/>: Projected Impact of COVID-19 on Ukraine's Economy;

[www.oecd.org](http://www.oecd.org): THE COVID-19 CRISIS IN UKRAINE;

[www.me.gov.ua](http://www.me.gov.ua): "Ukraine in 2020-2021: Aftermath of the Pandemic" Consensus Forecast;

<https://bank.gov.ua/>: Ukrainian Economy Slowly Recovering from Coronavirus Crisis; Price Growth to Accelerate – NBU Inflation Report;

<https://kpi.ua/>: The COVID-19 pandemic in Ukraine: regional context and short-term forecast;

<https://mfa.gov.ua/>: MFA of Ukraine Q&A: CORONAVIRUS (COVID-19) Quarantine Measures, Entering Ukraine, Obtaining Consular Support;

<https://www.washingtonpost.com/>: Ukraine's citizens worry about covid-19. And they still have to worry about the war.;

<https://www.nordeatrade.com/>: Ukraine: Economic and Political Overview;

<https://en.hromadske.ua/>: The New Great Depression: Consequences of Coronavirus for Ukraine and the World;

<https://rpr.org.ua/>: COVID-19 Pandemic and Its Immediate Impact On Ukrainian Economy

<https://tradingeconomics.com/>: Ukraine Interest Rate.

## Methods

From the perspectives of our further research we will consider the National Trade and Hospitality Industry affected by different factors of the epidemic in two oblivious ways:

1. First is the direct impact of economical and much more material factors. These types of influences are historically predictable, reasonable, and understandable. Repeatedly using different economical and mathematical models with large-scale databases, scientists all over the World and different experts are making forecasts and analyzing different aspects of the National Trade and Hospitality Industry.

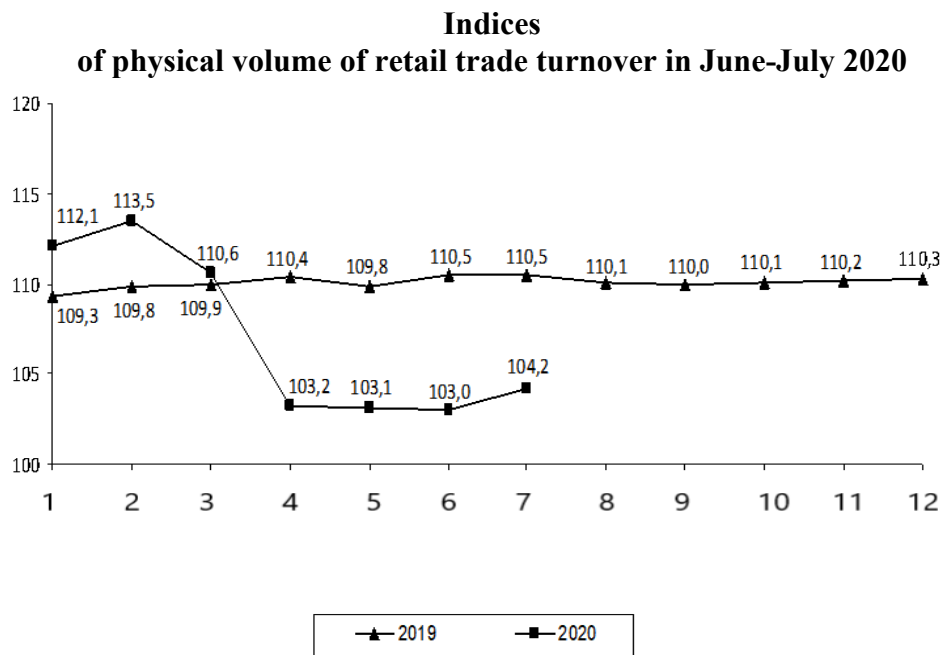
2. Second factor's family - clear reasonable and sometimes unreasonable behavioral psychological factors. We should declare, that under such factors we are understanding a non-material and sometimes non-rational impact on National Trade and Hospitality Industry, such as mass panic or psychosis, phobias, and so on...

From these perspectives, the main aim of our work is systematization and further improvement of some basic elements of psychological and economical communicative strategy in the National Trade and Hospitality Industry.

## Results

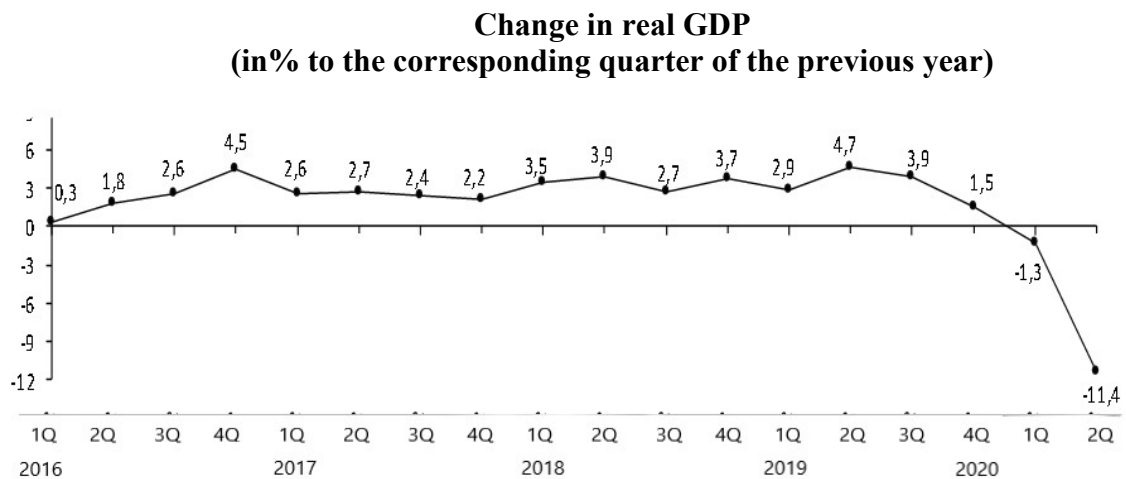
As we can see, two of the represented groups of factors - economical and psychological are very similar by nature. For example, from the first one of point of view, production capacity is declining as people fall ill, self-isolate at home as a precautionary measure or at the request of the authorities, and the government closes

bars, restaurants, theaters, sports and music facilities [11]. But these factors can not simply be socially accepted by themselves as only an informational message. Why? Because people don't have the ability to accept any information without an emotional signature.



**Figure 1. Indices of physical volume of retail trade turnover in June-July 2020**

Source: <http://www.ukrstat.gov.ua/>



**Figure 2. Change in real GDP (in% to the corresponding quarter of the previous year)**

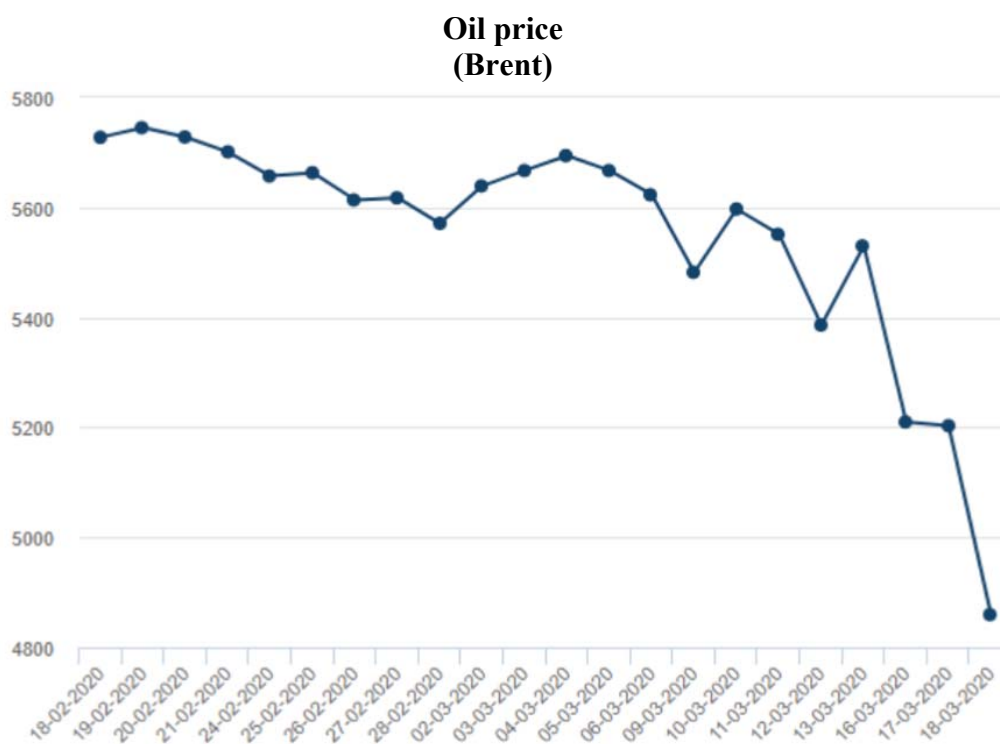
Source: <http://www.ukrstat.gov.ua/>

With this context, we consider as a very important factor of this cognition not only emotional perception but their cognitive distortions, assuming, what cognitive biases are systematic patterns of deviation from the norm and rationality in judgment.

According to Wikipedia, they are often studied in psychology and behavioral economics.

In this case, the National Trade and Hospitality Industry have some trends, linked to national pandemic dynamics, that need this sort of explanation. And we don't know exactly, which part of these changes can be explained with economical or psychological factors. For example, Figure 1. represent Indices of physical volume of retail trade turnover in June-July 2020, Figure 2. Change in real GDP (in% to the corresponding quarter of the previous year).

Ukraine is also an exporter of primary commodities, such as metals, and the price for them is likely to fall significantly due to falling demand in world markets. Figure 3 shows that the price of copper has already fallen by 16 percent in the last month alone. Prices for iron and steel are likely to have the same trend. National Trade and Hospitality Industry are also experiencing this declining trend.



**Figure 3. Oil price (Brent)**

Source: Fred

After extrapolation and systematization from different sources risk factors in the Hospitality Industry, we are having the next list [12]:

1. The infrastructure of Hospitality Industry (hotels halls and transportation units for example), often are closed and crowded. In these conditions sometimes are difficult and even impossible maintain social distance due to objective reasons. It is not an imaginable and absolutely real thread for health and even lives of travelers, guests and stuff of Hospitality Industry which are cosign deep psychological impact on potential clients of the Industry. “People who are highly anxious about being infected typically ho to great lengths to protect themselves. This may involve

avoidance of infection-related stimuli, including people, places, and things associated with disease”;

2. The guests of Hospitality Industry in such stress conditions as current pandemic situation can not evaluate properly and differentiate specific Hospitality Industry risks;

3. The staff working in Hospitality Industry were not notified of factors that may increase the risk and outbreak and were not trained to work with such pandemic conditions. Working on the “first line” for this staff can cause psychotic experiences, be traumatizing and even contribute to symptoms of PTSD;

4. The whole infrastructure of Hospitality Industry was not designed to the standards for isolation against infectious respiratory disease, nor are they equipped with special devices or equipment;

It is difficult and sometimes impossible for clients (guests) to accept and cooperate with self-isolation measures for cutting off the respiratory infection route in time.

As we can see, the general dynamic of the development of the National Trade and Hospitality Industry economical process with the synergic impact of all economical and psychological factors has simultaneously a very similar and very disturbing general trend.

From different parts of the National Trade and Hospitality Industry process, using a recent set of publications, we are choose cognitive biases, that can trigger the general process.

These mental phenomena need a scientific explanation.

## **Discussion**

Pandemic Agent detection is the inclination to presume the purposeful intervention of a sentient or intelligent agent in situations that may or may not involve one. As result, we can have social actions (Anti-quarantine actions ) and deepening negative trends.

Proposed actions - explanation of the probabilistic nature of the pandemic

The ambiguity effect The effect implies that people tend to select options for which the probability of a favorable outcome is known, over an option for which the probability of a favorable outcome is unknown.

Proposed actions - cluster analysis of a set of probabilities all kinds of possible risk factors for different pandemic scenarios and educational work in this direction.

A big pool of Availability biases The availability heuristic operates on the notion that if something can be recalled, it must be important, or at least more important than alternative solutions that are not as readily recalled.

Confirmation bias is the tendency to search for, interpret, favor, and recall information in a way that confirms or supports one's prior beliefs or values.

Extension neglect is a type of cognitive bias that occurs when the mind tends to ignore the size of the set during an evaluation in which the size of the set is logically relevant.



Proposed actions - “Fake News” detection and refutation with educational work in this direction.

### **Conclusion**

In these pandemic times, the development of new approaches such as radical measures with social distancing can be temporary but some changes can stay permanently. In the time of this fundamental crisis, the industry should begin developing a set of approaches for the unification and standardization of all business processes for reducing risk factors. Communicative strategy with such development should be a reliable informational company based on the behavioral psychology of pandemics.

Pandemic Agent detection - explanation of the probabilistic nature of the pandemic

The ambiguity effect - cluster analysis of a set of probabilities all kinds of possible risk factors for different pandemic scenarios and educational work in this direction.

A big pool of Availability biases, Confirmation bias Extension neglect - “Fake News” detection and refutation with educational work in this direction.

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**JEL Classification: O1**

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**ECONOMIC SUBSTANCE OF A STATE REGULATION OF THE MINING  
INDUSTRY DEVELOPMENT**

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**Abstract.** *The article defines the main theoretical bases of a state regulation of the mining industry economic development. There are revealed substance, goals and tasks of a state regulation of the mining industry economic development. It is described a group of actions of a state regulation in the areas of planning, regulation, regulatory activity, supervision and control.*

**Keywords:** *national economy, mining industry, economic development, state regulation, subsoil use legislation.*

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**Introduction**

State regulation in the general sense is a form of state activity, which is expressed in the establishment by the state of the rules of conduct (activity) of participants in public relations; it is the state, as an apparatus of political power, that carries out law-making, law enforcement and law enforcement activity through the bodies [1, p. 86]. State regulation of the mining industry economic development is specific. Given the social, economic and environmental utility of the industry, the measure of state intervention is significant here.

**Literature review**

The study develops the best practices of other authors on this issue, including R. Bilovus, M. Bezdniezhna, I. Bulhakov, M. Zhykaliak, I. Zhukov, I. Koziakov, O. Makarenko, O. Leonova, N. Liuta, L.Malanchuk and others.

The purpose of the article is a scientific rationale of the state regulation substance of the mining industry economic development, rationale of the goal, tasks and principles

**Results**

According to the substance, the state regulation of the mining industry economic development provides for a state group of actions in the coal, oil and gas, metallurgical, electric power industry and public utilities, aimed at the effective use

of natural resource potential, based on the mining from the subsoil assets, as well as the exploration, development, primary processing, use and marketing, as a result of which there are progressive changes of production, service and structural nature in the national economy and the regions.

The concept of a state regulation of the mining industry economic development varies between two extreme scenarios:

- 1) active mining of subsoil assets in compliance with efficient use requirements of natural resource potential;
- 2) suspension of mining based on the future generations interests or environmental demands.

More and more developed countries, in particular in Europe, are choosing the option of stopping mining on the areas not so much because of attempts to save resources for future generations, but because of extremely rigid requirements of environmental legislation [2, p. 4]. Countries, which have developed business environment also often deliberately abandon active mining. Strategically, this is justified, because, as economists' calculations show, following the example of the coal industry, coal production volumes are inversely related to the processes of population growth and business activity, and therefore to future economic growth [3].

The understanding of a state regulation of the mining industry economic development is based on the fact that this is a group of actions. They are conditionally divided into management functions and each of them has the functional load: 1) planning (programming); 2) regulation (budget, licensing, tax, currency-financial, foreign economic, investment, antimonopoly, state ownership) and administrative support; 3) regulation; 4) control and supervision.

According to the definition of state regulation of the mining industry economic development, it follows that the goal is the effective use of natural resource potential based on the mining from the soil assets, as well as the exploration, development, primary processing, use and marketing. The efficiency of potential using reflects the correlation of the mining volumes, taking into account the possibilities of the restoration, in relation to the satisfaction degree of the population and business needs in minerals; at the same time there should be taken into account environmental national security priorities.

The state regulation object of the studied area can be: natural resource potential based on the mining from the soil assets; relations in the area of mining activity and in related areas that arise as a result of exploration, development, mining, primary processing, use and marketing of minerals; entities of the mining industry (mining enterprises and the intermediaries); the mining industry as a whole or the specific sub-industries (coal, oil and gas, metallurgical, electric power industry, public utilities).

Entities of state regulation form an appropriate institutional environment. The structures of the executive branch of government have the largest powers, but the specifics of the mining industry require the participation of all branches of government. The role of the institution of the president is special. In Ukraine, it is

basic to guarantee the observance of the Ukrainian people rights: Article 13 of the Constitution of Ukraine states that «land, the soil assets, the atmosphere, water and other natural resources, which are located within the territory of Ukraine, the natural resources of the continental shelf, exclusive (marine) economic zone are objects of property right of the Ukrainian people; on behalf of the Ukrainian people, the owner rights are exercised by state authorities and local self-government bodies within the limits defined by the Constitution” [8].

The legislative branch of government regulates the legal bases of activity in the mining industry. In Ukraine, the leading standard is the Mining law, which, in particular, defines that “mining relations are regulated by the Constitution of Ukraine, this Law, The Code of Ukraine on soil assets, the laws of Ukraine “On Environmental Protection”, “On emergency rescue services”, “On civil defense of Ukraine”, “On labor protection”, “On enterprises in Ukraine”, “On fire safety”, “On ensuring sanitary and epidemic well-being of the population”, other laws of Ukraine and laws and regulations adopted in accordance with them [7].

The main functional powers in the area of regulating of the mining industry economic development are performed by the executive branch of government bodies. State-level bodies set a strategic vector for the industry development and monitor compliance with regional program goals. Regional and local authorities are supervisors of local mining activity. If the State has a sufficient degree of decentralization, local authorities have sufficient powers to mobilize financial resources due to the use of the natural resource potential of the areas through tax instruments. However, as a rule, the prerogatives of regulation are reserved by the state represented by central executive authorities.

As a rule, permissions are granted in the form of licenses. In particular, in Ukraine, the Law “On licensing certain types of economic activity” regulates the obligation to obtain a license for: search (exploration) of minerals, mining from deposits of national significance and included in the State Fund of mineral deposits, mining of precious metals and precious stones, organogenous precious stones, semiprecious stones [9].

Regulation of the mining industry economic development with a high degree of state influence is accompanied by frequent use of mechanisms for managing state property and state ownership. The state reserves ownership of mineral deposits. For example, in Ukraine, the legislation regulates that “soil assets are the exclusive property of the Ukrainian people and provided only for use”. Agreements or actions, that directly or covertly violate the right of ownership of the Ukrainian people to soil assets are invalid; the Ukrainian people exercises the right of ownership of soil assets through the Verkhovna Rada of Ukraine, the Verkhovna Rada of the Autonomous Republic of Crimea and local councils; certain powers to dispose of soil assets by the legislation of Ukraine may be granted to the relevant executive authorities” [10].

In general, regulatory actions in the context of ensuring the mining industry economic development play a leading role. They should be aimed at changes in the production, service and structural nature. This is the process of industry economic development.

The variability of actions, mechanisms and instruments of state regulation of the mining industry economic development allows to summarize the main tasks. If the goal is the effective use of natural resource potential based on the mining from soil assets, then the main tasks of regulatory influences are specified issues of exploration, development, mining, primary processing, use and marketing of mineral resources (Table 1).

**Table 1. Basic principles of state regulation of the mining industry economic development**

Goal	Specifics of the goal achieving	Tasks
Efficient use of natural resource potential based on the mining from the soil assets, as well as the exploration, development, primary processing, use and marketing	Efficiency as a correlation of the mining volumes, taking into account the possibilities of the restoration, relative to the satisfaction degree of the population and business needs in minerals. There should be taken into account environmental national security priorities at the same time.	<ul style="list-style-type: none"> <li>-regarding development, mining- determination of the mining volumes of the main types of minerals for the current period and the future by country and regions;</li> <li>-regarding exploration –development of the mineral-resource base and preparation of the reserve of soil areas used for the construction of underground structures, which are not related to the mining;</li> <li>-regarding marketing- setting quotas for the supply of extracted minerals;</li> <li>-regarding use – introduction of fees (payments) related to the use of soil assets, as well as regulation of prices for certain types of minerals;</li> <li>- regarding development, exploration – establishment of standards (norms, rules) in the area of geological study, use and protection of soil assets, safe conduct of works related to the use of soil assets.</li> </ul>

*Source: built by the author based on [5, p. 402]*

Each of the tasks forms a separate direction for implementing economic policy in the mining industry. The main focus of state influences is on the effective on natural resource potential, in particular the proven mineral resource base of the country as a material and energy basis; this priority is due to the fact that the achievement of a such goal will ensure the stabilization and sustainable development of the national industry, the growth of people well-being and socio-economic factors in the state [4, p. 3]. Achieving the goal is possible if you are legally active in the industry. Therefore, the group of state regulation of the industry development should institutionalize the transparency imperative and a market competitive environment with a high degree of state participation.

The tasks of state regulation of the mining industry economic development specify the general tasks of regulatory influences, which consist in: determining the main directions of state policy; determining the powers of executive authorities and local self-government; organizing and coordinating works on the reproduction of the mineral resource base and rehabilitation of mining regions; establishing regime and rules of mining and other use of soil assets; determining actions for the rational use and protection of soil assets; implementing state control; implementation of state supervision over the geological study, protection of soil assets, processing of minerals and safe conduct of works during the use of soil assets [6, p. 86-87].

Fulfilling goal and tasks of state regulation of the mining industry economic development requires compliance with certain principles. In Ukraine, they are established by law. Below is a list of them with an addition according to the author's

vision [7]. In particular, these are the following principles: rational use of natural resource potential from the soil assets; innovative manufacturability of activity in the industry, market competition, state support for business entities in the industry, personnel security and protection, scientific support, public management, etc.

In the context of industry economic development becomes particularly important principle of innovative manufacturability of activity. This principle provides for changes in the production-service nature, providing for the improvement of manufacturing approaches in the use of natural resource potential as well as ensuring the quality of accompanying services for processing (enrichment), processing (partial or full), supply of obtained minerals. The mining industry, despite the raw material orientation, can be an engine of innovative economic development, especially since it is in the view of priority state and international financing. Compliance with the principle of innovative manufacturability of activity a priori strengthens the security imperative of industry state regulation: innovative changes, first of all, should be focused on the goals of sustainable development and ensure the formation of a highly competitive mining-metallurgical complex with signs of a high level of competition, increasing environmental requirements, ensuring energy efficiency, updating the material-technical base of production, diversifying the types of products, improving the quality and expanding the use of iron production [11, p. 137].

The study of state regulation of the mining industry economic development requires additional attention to the principle of public management, which reveals the aspect of interaction between the state and civil society (in contrast to the traditional vision of public management as the organizing and regulating influence of the state on the public life of people in order to organize, store or transform, based on the power) [12, p. 150; 13, p. 121].

Public management for the mining industry economic development should not be identified with “potential liberalization of relations regarding soil assets use”, which provides for the provision of opportunities for transferring soil assets use rights to another person without the mandatory consent of the central executive authority, which ensures the implementation of state policy in the area of geological study and rational use of soil assets, and in accordance with the regime established by the state, as well as without leaving the state priority right to acquire alienated rights to use soil assets in the person of a business entity [14, p. 12]. In our opinion, such liberal steps in Ukraine require a broad professional discussion and initially require strengthening the principle of public management.

The principle of public management is necessary on the way to deregulation of the mining industry, which is acceptable for economies with a developed competitive market environment and a high degree of public control. In Ukraine the current government in 2020 declares deregulation of the industry as one of the priorities of soil assets use reform [15]. However, this process should be considered not from the point of view of reducing the degree of state regulation, but by changing the procedural issues of state control with distribution to different branches and levels of

government. Powers should be clearly distributed between central and regional authorities regarding licensing activity and granting rights to use soil assets.

### Conclusions

State regulation of the mining industry economic development is a difficult process aimed at innovative and technological achievements and the formation of the industry as a competitive link in the structure of the national economy. The possibilities of regulating of industry development are wide. Each country should clearly define the concept of development and regulation of the industry and look for ways to reduce the primary material dependence of the economy. In the following works, we will study the experience of different countries in innovating the economy with the transition to higher technological systems.

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**JEL Classification: G 28, H3**

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## **INSTITUTIONAL MECHANISM FOR TAX POLICY FORMATION AND IMPLEMENTATION: THEORETICAL DISCOURSE**

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**Abstract.** *The essence of the concept of a mechanism in economic science is defined in the article. The role of mechanisms in the development of the national economy and the specifics of the institutional mechanism for the tax policy formation and implementation are highlighted. The main elements of the institutional mechanism for the tax policy formation and implementation are characterized - the goal, principles, object, subjects and regulatory institutions, tools, and results of actions.*

**Keywords:** *national economy, tax policy, public administration, institutional mechanism tools, taxation system principles.*

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### **Introduction**

The taxation system, as well as the targeted policy of the state, is one of the main elements of economic regulation. Research in this area is a topical subject and interdisciplinary in nature. The economic and management sections of research are particularly relevant, which allow combining the principles of construction, implementation, and priorities for improving the mechanism, based on the goals of the economic development of the state with appropriate political support.

Revealing the content, functions, and tasks of the mechanism is a necessary direction of research in relation to any object. The type diversity of the mechanism and different approaches to understanding its content differentiate the research subjects. In this case, the focus is reduced to the institutional mechanism, which reveals the consistency of the aim, goals, objective, principles, and tools of tax policy aimed at specific results.

### **Literature Review**

The relevance of this work is confirmed by the insufficient background of the indicated problem. The theoretical basis of this study was formed by the developments of scientists in two main scientific areas - state regulation of the economy and taxation.

A great contribution to the development of theoretical, organizational, and methodological issues of state regulation, in particular, the institutional mechanism

for the formation and implementation of tax policy, was made by such scientists as T. Volkovets [6], Y. Dreval [1], V. Elagin [5], G. Kuspliak [4], L. Prikhodchenko [2, 3].

The goal of the work is to generalize theoretical discussions regarding the content and types of mechanisms in theories of public administration and economic theory, as well as to determine the specifics of the institutional mechanism for the formation and implementation of tax policy.

## Results

The mechanism by its content can be considered by activity, process, structural, and systemic approaches. The activity approach allows to consider the mechanism from the point of view of its influence on the selected objects. The process approach involves considering the mechanism as a process - achieving goals as a result of action (influence). The structural approach focuses on the storage of the mechanism. The systematic approach actualizes the advantages of considering it as a system with a combination of the above approaches with a consolidated focus on achieving specific goals. A systematic approach to understanding the mechanism in management activity is based on the dialectical unity of management as a complex system and the impossibility of rigid isolation of mechanisms from management as a whole (after all, the latter is immanently inherent in the so-called "activity" or functional aspect, which is noted not by static but by dynamic characteristics) [1, p. 62].

Another debating point is the type diversity of mechanisms. In the theory of public administration with adaptation to economic discussions, the "mechanism" is most often considered by these types and their combination - political, regulatory, economic (budgetary, currency, financial, tax, investment, etc), social, and informational.

In economics, understandings of the mechanism in market, economic, developmental (for example, the mechanism of sustainable development, innovative development, etc.), and motivational perspectives are common. Subtypes of the economic mechanism are also relevant, which are considered in the theory of public administration.

Comparing the main types of mechanisms in scientific research of economics and public administration, it is necessary to single out the interdisciplinary perspective, which indicates the types of mechanisms that are relevant for all social and humanitarian areas of knowledge and managerial practice. Among them, the institutional mechanism is highlighted, which, unlike others, is a highly complex management category (more complex than the institutional level), which requires more detailed study.

In the scientific literature, there is often an uncertainty between the understanding of "organizational", "institutionary", and "institutional" mechanisms. To substantiate the content of the institutional mechanism for the formation and implementation of tax policy, it is necessary to clarify the fundamental difference between these categories.

The organizational mechanism in management theory is determined by functional relationships, the rights of subjects and objects of management, their obligations, responsibility for making unlawful decisions, and their respective competencies [2, p. 109]. By its content, the organizational mechanism focuses on the interaction and the hierarchies of methods, tools, and leverage, which are aimed at achieving specific goals and cause responsibility for the result.

However, in the sense of the institutional and institutional mechanism, the systematic approach is different.

The institutional mechanism in public administration is a set of interactions between formal and informal institutions in order to achieve a common strategic goal [3, p. 10, 4, p. 72].

The term "institutional" has distinguished itself thanks to the development of the theory of institutionalism, which claims that the historical situation creates a socio-economic environment and determines the behavior of economic agents, which, interacting with each other, create institutions [5, p. 99]. This statement reveals a specific difference between the "institutional" approach and the institutional approach - environmental determinations can be explicit and hidden, formal, and informal. Therefore, in the institutional mechanism, the activities of institutions are complemented by the actions of various norms, rules, and customs.

As for the institutional mechanism for the formation and implementation of tax policy, when formulating its essence, one should take into account:

- the substantive specifics of the institutional mechanism in general;
- content, functions, and tasks of the tax mechanism within the framework of the mechanism implementation in management activities and economic processes.

In the work of T. Volkovets, the detailed analysis of various approaches to the understanding of the tax mechanism by Ukrainian scientists is carried out. This allowed the author to generalize that: the tax mechanism consists, first of all, of leverages, tools, and methods; with the help of the tax mechanism, the regulation of relations arising in the process of taxation is carried out in order to harmonize the interests of their participants; the tax mechanism is a means of implementing the state tax policy and managing the tax system [6, p. 329].

Understanding the importance of the tax policy, its high socio-economic, security, and partly state-making significance, the topicalities of the action of its institutional mechanism are determined. The term "topicality" itself indicates current phenomena or processes (factors, trends) that determine the primary need for the state's administrative influence in the relevant area. Therefore, the topicalities of the institutional mechanism of tax policy indicate how, first of all, the tax instruments should be used in the context of ensuring the necessary transformational changes.

There is also an inverse effect of the economy on tax policy. In the case of successful transformational changes, economic development is ensured, which is accompanied by the development of the business environment, and, consequently, an increase in the solvency of its subjects.

The features of the institutional mechanism of tax policy in the context of the transformation of the national economy, which are relevant for the state in the

competitive environment of the information society, including for Ukraine (Table 1), are considered.

**Table 1. Institutional mechanism of tax policy in the context of the transformation of the national economy**

No.	Direction of transformation of the national economy	Topicalities of the institutional mechanism of tax policy
1	Sustainability of the national economy	Operation of the simple and economically fair tax system Stability of tax legislation
2	Leading importance of small and medium business	Compliance with the principles of transparency in tax administration Ensuring transparency of tax audits, the inadmissibility of pressure from tax regulatory authorities to ensure the norms of budget revenues Substantiation of the tax burden
3	Unshadowing of the wage system	Scheduled tax audits of business entities with a predominance of warnings instead of excessive pressure and increasing the tax burdens on wage funds
4	Financial support for the development of regions and communities	Decentralization in the tax system in the context of ensuring capable regional and local budgets with the possibility of local solving problems of the socio-economic nature
5	Innovative development of the business environment	Ensuring the uniformity of the tax burden, which serves the formation of competitive market relations between business entities Tax incentives for innovative business activities in the context of developments and implementations based on reasonable conditions for the transition to a simplified taxation system for innovatively active business entities Tax incentives for business innovation in limited spatial coordinates (special economic zones, technology policies, technology parks, etc)
6	Innovative development of the economy with the transition to the next technological way	Tax incentives for the economy sectors that represent the target technological order Tax incentives for the implementation of the national technological development project for a certain period of time

The sustainability of the development of the national economy is determined by the first topicality. The term of sustainability will reveal the regular and predictable processes of improvement of changes, which allows to provide the development of strategic planning, implementation of long-term and capital-intensive investments. On the one hand, the consistency conflicts with dynamic progressive change. On the other hand, in conditions of gaps in the level of development between different countries and spheres, the sustainability of economic development is the key to a more balanced justification of technological progress from the standpoint of influence on other spheres of society.

The sustainability of the development of the national economy requires the stability of the socio-economic and political situation in the state, and is one of the key threatening factors for Ukraine. During the activities of various power regimes of the independence period, each government declared the priorities of tax reform. In

the current Strategy "Ukraine-2020", within the framework of the development vector, the tax reform is defined, the purpose of which is to build a tax system, which is simple, economically fair, with minimal time spent on calculating and paying taxes, creates the necessary conditions for sustainable development of the national economy, provides sufficient enlargement of the State budget of Ukraine and local budgets [7].

The strategy also determines that the main direction of the tax reform is the transition from the supervisory and punitive function of the fiscal authorities to the service one, which helps in the calculation and payment of taxes [7]. This yields the following topicalities of the institutional mechanism of tax policy related to the development of the business environment, especially in the segment of small and medium-sized businesses. In this context, the tax policy should be implemented in compliance with the principles of transparency in tax administration, as well as justification of the tax burden. The tax burden is considered as an indicator, which indicates the effect of the impact of taxes or the effectiveness of the level of government intervention in the economy of the country and individual payers; this is a form of monopoly price of aggregate public goods, which expresses the measure of the cost (value) of public services in relation to the sources of tax payment [8, p. 116].

The content of the definition of the tax burden, which in a quantitative aspect is calculated in relation to GDP, consists of the evaluation criteria of the state's influence, namely, ensuring the innovative development of the business environment. It is about the ability of enterprises not only to implement but also to produce innovations that are competitive in the global market. The formation of the innovative economy and its transition to a higher stage of the technological order depend on this.

The tax policy in the context of stimulating the innovative development of the business environment is a sustainable concept for developed countries, which are often limited in natural resource opportunities but they successfully use tax tools for the development of knowledge-intensive industries. The state support for innovative development through tax tools corresponds to the Keynesian model, and the dominant feature of innovative changes is a challenge of our time. The introduction of a policy of tax incentives for innovative activities actually means the invention of ways and limits of balancing between public and private interests: the state, yielding to its current fiscal interest in tax incentives for innovation, has the right to count on satisfying other needs, such as investing the released resources in production, fundamental research, applied developments, reduction of the outflow from the country of intellectual potential carriers, and so on; the taxpayer in exchange for incurring significant financial costs with long-term payback has the right to count on reducing tax pressure, compliance with the guarantees of invariability of legislation in the long run, and so on [9, p.172; 10, p.71].

Stimulating the innovative development of the business environment should be based on ensuring the uniformity of the tax burden. Without a uniform tax burden, it is impossible to develop a competitive market without the practice of hidden monopoly. Innovation activity is an indicator of the level of development of the

business environment on a competitive basis. Otherwise, none of the tax benefits will give the expected effect but rather serve as a tool for their subjective use for a limited number of enterprises.

The topicality of the institutional mechanism of tax policy in the context of the transformation of the national economy can be detailed and specified. At the same time, they must combine the principles of stimulating territorial and subject development, based on balancing the interests of society, business, and the state. The tax policy is extremely flexible. On the one hand, this allows it to quickly adapt to new challenges, to serve as an effective direction of anti-crisis management. On the other hand, the frequency of changes in the tax system significantly complicates the possibilities of managing and even, as it is observed for the Ukrainian society, distorts the idea of payers about the level of the tax burden. Understanding the role of the institutional mechanism of tax policy in ensuring the transformation of the economy has to be regulated in the strategic planning documents of the government. The financial support for the development of regions and communities based on the decentralization of the tax system is recognized as one of the most effective topicalities for many developed societies. This topicality should remain decisive for Ukraine.

### **Conclusion**

Taking into account the above, under the institutional mechanism for the formation and implementation of tax policy, it is advisable to understand the system of regulatory institutions, which has a direct impact on subjects in the field of taxation and is guided by the principles of organizing a market-regulatory environment – the taxation regime as formal institutions and tax culture and responsibility as informal institutions.

The operation of such a mechanism should ensure the continuous (reliable, uninterrupted, normal) functioning of the taxation system on the principles of:

- understandability - a principle that provides an opportunity to understand the processes that occur with the taxes paid. Transparency of their calculation, payment, and use. Easy to calculate, pay, and administer. Citizens should understand how to calculate, pay, and how the paid funds are used;

- relative justice - there cannot be an absolute one because justice itself is a subjective perception, however, the principle provides opportunities for citizens to feel like equal members of society;

- mandatory – a principle that ensures mandatory compliance with the requirements of the law by all citizens (business entities). The embodiment of this principle provides a synergistic effect of the structure of the taxation system based on the personal example of a citizen (business entities) in front of each other;

- control systems - a principle that ensures control over the uninterrupted and complete fulfillment of each link of the obligations that are imposed on both the citizen (business entities) and state institutions;

- the inevitability of punishment – a principle that ensures the inevitability of punishment for any subject who has committed a violation, regardless of the person

of the subject (institutional element of responsibility). This principle is a “marker” for citizens regarding the principles of fairness and obligation, and is also perceived by citizens as the effectiveness and efficiency of the control system.

The prospects for further research will be more detailed coverage of the regulatory tools of the institutional mechanism for the formation and implementation of tax policy, which is aimed at observing the specified principles of the tax system.

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**MODERN APPROACHES TO ANALYSING THE PECULIARITIES OF  
CAPITAL FORMATION OF WINERIES  
(ON THE EXAMPLE OF ODESA REGION)**

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**Abstract.** *The article discloses the results of theoretical and practical studies of the analysis of capital formation features of wine-making enterprises in order to optimize its structure to ensure financial sustainability and effective operation of enterprises in the modern economic environment. The article proves that one of the most important tasks of financial management is to create an optimal capital structure of an enterprise. The efficient ratio of the equity capital and the borrowed one significantly influences the result and effectiveness of the enterprise activity. The article contains the analysis of the structure and dynamics of capital formation sources of wineries in Odesa region. The result of the conducted study is to determine the directions of increasing the efficiency of capital formation by wine-making companies in Odesa region.*

**Keywords:** *wineries (or wine-making enterprises), capital, structure of the capital, equity capital, loan (or borrowed) capital, productivity of capital resources.*

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**Introduction**

Today the activity of enterprises is influenced by many factors and covers a wide range of organizational and technological, economical and financial issues which need to be solved on a daily basis. An important role among such issues belongs to ensuring a capital need of enterprises through formation of financial resources from various sources. Its effectiveness of functioning in a competitive market conditions, financial sustainability, rational use of assets and, as a consequence, the possibility to achieve a certain volume of activity and to receive a necessary amount of profit which is required for the further development of an economic entity depends on how the ratio of all forms of equity and borrowed capital is shown, what the structure of capital is. The enterprises of wine-making complex have certain features of functioning which significantly affects the formation of their capital structure.



## Literature review

The questions on optimization of capital structure, its compound as well as the efficiency of capital formation are reviewed in the works of famous foreign scientists-economists such as A. Gropelli, J.K. Van Horn, J.M. Vahovych, E. Nikbaht, M. Miller, F. Modigliani, E.F. Brigham. Theoretical and practical approaches to capital structure management are presented in the studies of domestic scientists: I.O. Blank, M.D. Bilyk, V.G. Andriychuk, G.G. Kireytsev, A.M.Podderiogin, L.M. Remniova. A number of domestic scientists studied the issues of optimal capital structure formation at wineries in Ukraine, including: A.M. Avidzba, O.M. Garkusha, O.P. Dykan', O.J. Yermakov, L.O. Marmul', M.V. Melkonian, J.M. Novikov, M.O. Peliakh, P.T. Sabluk and others.

However, the formation problem of optimal ratio of equity and borrowed funds requires its further development since not all the parties of capital structure management received equally complete coverage in scientific works. Moreover, some views were contradictory and some issues were of polemical character. The scientific and practical significance of solution of capital structure management problems of wine-making companies determines the relevance of the chosen theme, purposes and directions of its investigation.

The aim of the study is to update methodological approaches to the analysis of capital formation peculiarities at wineries in Odesa region.

## Results

In order to conduct a study of the capital structure of an enterprise it is necessary to carry out the analysis of the liability side of the balance-sheet where all the sources of financing of an enterprise are shown. The data which are given in liability side of the balance sheet allow us to determine the changes which have occurred in the structure of equity and borrowed capital, how much long-term and short-term loan funds are involved in the company's turnover. As the practice shows there isn't a single rule to create an efficient ratio of equity and loan funds not only for the enterprises of one industry but even for one enterprise at different stages of its life cycle and on different market conditions.

At the same time there is a number of objective and subjective factors the consideration of which makes it possible to purposefully create the capital structure and to ensure the conditions for its most effective use at each enterprise. The main of these factors are[1]:

- industry-specific features of the enterprise activity;
- a life cycle stage of an enterprise;
- commodity and financial market conditions;
- the level of return of assets;
- the attitude of creditors to an enterprise;
- the level of profit taxation;
- financial mentality of the owners and managers of an enterprise.

Having taken these factors into account, the analysis of capital structure formation should be carried out in the two directions[6]:

- determination of optimal ratios of equity and borrowed capital use for the given enterprise;

- attracting necessary types and volumes of capital in order to achieve calculated indicators of its structure.

At the same time, the capital structure should be optimized according in the following directions[3]:

- maximization of the level of return on equity;
- the capital cost minimization;
- formation of the target capital structure indicator.

The equity capital is characterized by the following main positive qualities: the ease of attraction and much higher ability to generate the profit as the payment of the interests is not required while using it. In addition, the equity capital has the following disadvantages: limited volume of attraction and, therefore, of possibilities of significant expansion of the operational and investment activity of an enterprise, as well as high cost compared to alternative loan sources of the capital formation. Thus, using only the equity capital an enterprise has the highest financial sustainability but limits the speed of its development.

In its turn, the loan capital is characterized by quite wide opportunities in attracting the sources of finance especially at a high credit rating of an enterprise, the availability of a pledge or a guarantee. The borrowed capital provides the increase of financial potential of an enterprise while there is a necessity to significantly expand its assets and to raise the rates of its economic activity volume growth. It is able to generate an increase in financial profitability due to the effect of financial leverage.

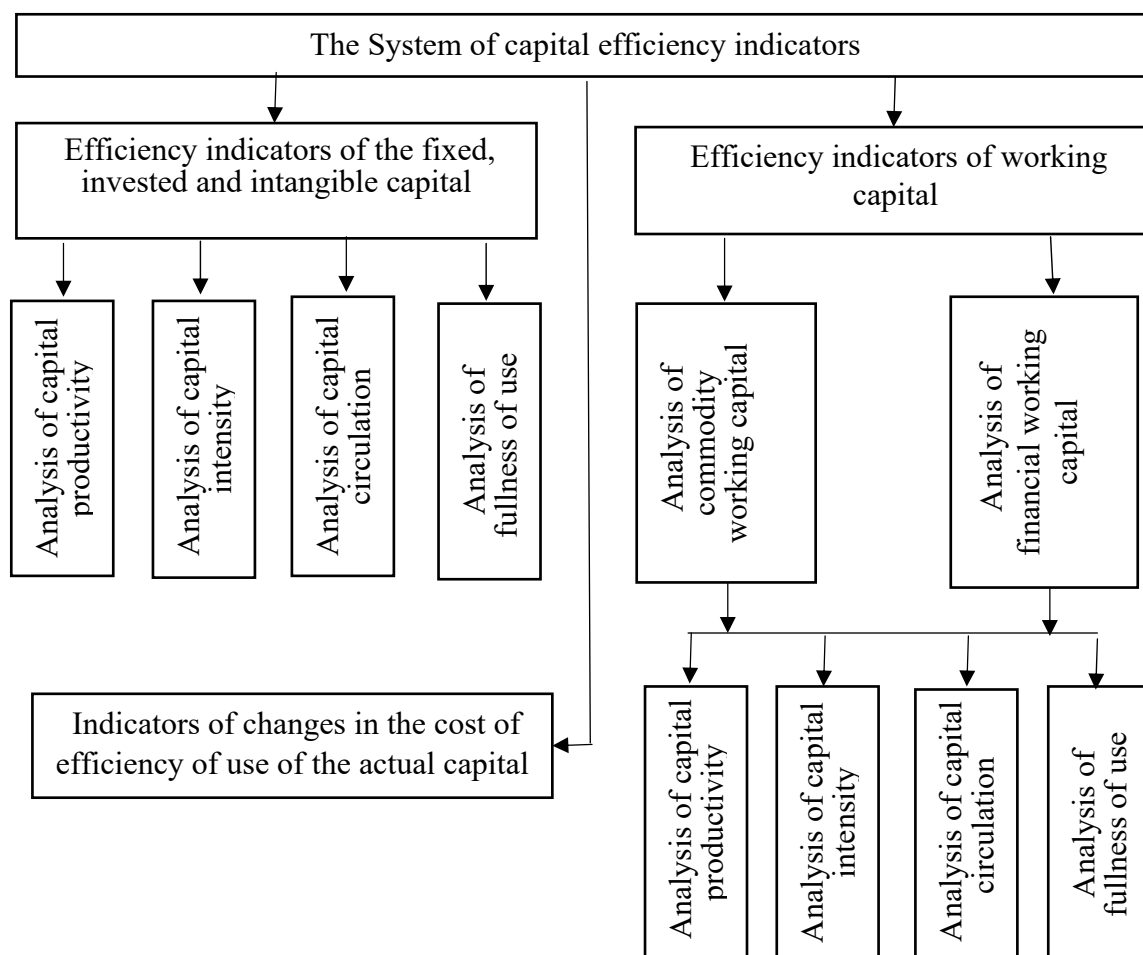
Meanwhile, the use of the borrowed capital generates the risk of weakening financial sustainability and the risk of solvency loss. The level of these risks grows in proportion to the debt ratio increase. The assets formed at the expense of the borrowed capital generate a lower rate of profit which decreases by the amount of interest per loan, there is also a high dependence of the borrowed capital cost on the fluctuations of financial market conditions. Hence, an enterprise which uses loan capital has a higher financial potential for its development and larger opportunities for financial profitability growth though generates a financial risk and threat of bankruptcy to a greater extend.

Methodical approaches to capital analysis can vary. Herewith, the key purpose is to investigate and systematize the main approaches, to determine the directions for capital analysis improvement and methods of the most objective assessment of its value.[1]

The approach to the capital structure analysis should include the two major aspects: analysis of the process of capital formation and analysis of the process of capital functioning. When conducting capital analysis it is necessary to consider the processes of its formation and development on the one hand, and the processes of its functioning on the other hand in this regard.

The process of capital formation is analyzed by means of evaluation and detailed investigation of the whole set of sources of enterprise capital, by means of determination of the structure and other qualitative indicators of the capital formation

sources as well as defining their value. With the purpose to manage an enterprise, the capital analysis should be distinguished according to the goals of the enterprise development into strategic and current (operating) capital. While analyzing the enterprise capital it is obligatory to use all the approaches of functional analysis of different levels and to view the capital as a set of the property and functions of an enterprise which are interdependent and interconnected in a time aspect [6].



**Figure 1. General approaches to the efficiency analysis of the capital usage**

When conducting comprehensive analysis of the enterprise capital it is important to follow the sequence of analysis which is based on the order of the stages of turnover and circulation which are passed by the capital. Sticking to the interim principle of capital formation and functioning, one should start the analysis of the records from evaluation of enterprise capital formation sources going afterwards to the next stage- to the analysis of functioning capital (assets) and at the end the analysis of the current capital should be done.

The analysis of the advanced and invested capital is performed according to the three key directions:

- assessment of the effectiveness of investments;
- evaluation of the advanced capital efficiency;
- estimation of the advanced and invested capital profitability.

While analyzing, the capital of an enterprise should be considered not only as a quantitatively measurable indicator but also as the main qualitative feature of an enterprise.

The system of comprehensive analysis of the capital must envisage its application at all the stages of the enterprise capital formation and functioning from the initial previous evaluation of the business to the complete capital cost recovery including the cycle of its expanded maintenance. The system of indicators is objectively necessary to develop the methods of comprehensive economic analysis of the capital. In fact, today in this area we are dealing with some set of analytical tasks which is not absolutely complete and is obviously not constructed into one methodology.

General approaches to the efficiency analysis of the capital usage can be shown as a diagram in Fig.1 [6].

Plenty of indicators are used to assess and analyze the capital. At the same time it is necessary to note that the capital is a category with a complex economic nature and its indicators are not reflected directly in financial records of an enterprise.

Therefore, it is only possible to receive the capital indicators using calculation and analytical methods. One of the most widespread indicators which characterizes the capital structure is the independence ratio which is a ratio of the equity capital to the balance-sheet total. This ratio is important for both the investors and creditors of an enterprise since it characterizes the share of funds which was invested by the owners into the total cost of the enterprise property.

It is considered that if the independence ratio is more than or is equal to 50% the risk of creditors is minimal: having sold half of its property created at their own expenses, an enterprise will be able to pay off its debts. It should be emphasized that this provision cannot be used as a general rule. It needs to be clarified taking into account the specifics of the enterprise activity and, first of all, the kind of industry which an enterprise belongs to.

The financial sustainability ratio is the share of net assets in the total assets of an enterprise, the financial sustainability ratio shows the share of the enterprise assets which is supported by the equity capital. It is equal to the ratio of the amount of own resources and long-term credits and loans to the balance sheet total assets.

The funding ratio (the ratio of the equity capital to the borrowed one) displays which part of the enterprise activity is financed from its own funds and which part is financed from the loan funds. A situation when the funding ratio value is less than one (the bigger part of the enterprise property was formed at the cost of the borrowed funds) can indicate the presence of danger of insolvency and it often prevents from the receipt of new loans. Thus, the system of capital indicator analysis must be created according to the three key directions:

- 1) the indicators of capital formation sources;
- 2) the indicators of the functioning capital;
- 3) the indicators of results of the capital functioning.

First of all, among the most important indicators which characterize the capital formation sources are: the volume, the structure and cost of all the capital sources and its separate components.

The functioning capital is determined by another kinds of indicators: they are volume indicators of assets and the structure and the price of the enterprise assets.

The efficiency indicators of capital use include: profit, financial result in the form of the current capital, profitability, capital intensity, the use of amortization payments, changes in the indicators of the financial condition. While developing the methods of capital analysis a systematic approach should be used which implies the application of a comprehensive system of indicators. A range of users of this information, sources of information and indicators which are to be displayed must be defined in order to fulfill this.

The peculiarities of development of Ukrainian companies in the conditions of the market restructuring of the economy determined the processes of their capital structure change. Together with the development of market relations, the volume and range of sources of economic activity financing of companies increase and the ways of mobilizing capital are modified.

The optimal ratio of the loan capital and the equity depends on many factors but foremost it depends on the type of the enterprise activity. Let us analyze the structure and dynamics of the capital formation sources of wineries in Odesa region. The dynamics and composition of the enterprise capital of the wine-making industry in Odesa region during the period from 2015 to 2019 are given in Table1.

As the data of Table1 show, the enterprises are generally characterized by both positive dynamics in the capital growth and the negative one. At the same time they even have a different nature of this dynamics.

At the PrJSC “Ismail Winery” the capital growth rate for the period from 2015 to 2019 tended to increase rapidly from 0.52 percentage points in 2016 to 30.18 percentage points in 2019. In general, for the period from 2014 to 2018 the capital of the enterprise grew by 52.59 per cent and was 248763 thous.UAH.

At the PrJSC “Harchovyk” the rate of capital growth during the studied period is characterized by decreasing. During the period from 2015 to 2019 the capital decreased by 38%. Meanwhile, the borrowed funds have also got a tendency to decline (-43.82%). The equity funds, on the contrary, tend to increase.

At PrJSC “Odessavinprom” the rate of capital growth is characterized by uniformity during the studied period of time. From 2015 to 2019 the capital increased almost by two times. However, this growth is only connected to the rise in the loan funds. The amount of equity has a negative value. This fact indicates a low level of financial management.

During the studied period of time at PrJSC “Odessa Cognac Factory” the capital growth rate is characterized by a gradual decrease. From 2015 to 2017 the capital grew, then it slowed down and declined by 11.65 percentage points in 2018. In general, during the period from 2015 to 2019 the capital of PrJSC “Odessa Cognac Factory” increased by 10.31% and was 835401 thous.UAH.

**Table 1. The dynamics and composition of the capital of wine-making enterprises in Odesa region for the period from 2015 to 2019**

Indicators	2015		2016		2017		2018		2019	
	Thous. UAH	in % until 2014	Thous. UAH	in % until 2015	Thous. UAH	in % until 2016	Thous. UAH	in % until 2017	Thous. UAH	in % until 2018
<b>PrJSC “Ismail Winery”</b>										
Total capital	163022	21,89	163864	0,52	168232	2,67	191089	13,59	248763	30,18
Equity capital	10461	-46,99	10467	0,06	10595	1,22	10794	1,88	10995	1,86
Borrowed capital	152561	33,82	153397	0,55	157637	2,76	180295	14,37	237768	31,88
<b>PrJSC “Harchovyk”</b>										
Total capital	291065	152,55	274479	-5,70	198626	-27,64	329596	65,94	204351	-38,00
Equity capital	27482	18,92	31445	14,42	34010	8,16	36751	8,06	39821	8,35
Borrowed capital	263583	186,07	243034	-7,80	164616	-32,27	292845	77,90	164530	-43,82
<b>PrJSC “Odessavinprom”</b>										
Total capital	173087	4,19	300611	73,68	324324	7,89	411816	26,98	358627	-12,92
Equity capital	-88402	54,65	-64940	-26,54	-54809	-15,60	-29458	-46,25	-42906	45,65
Borrowed capital	261489	17,11	365551	39,80	379133	3,72	441274	16,39	401533	-9,01
<b>PrJSC “Odessa Cognac Factory”</b>										
Total capital	757326	9,11	788573	4,13	1047849	32,88	925736	-11,65	835401	-9,76
Equity capital	140181	-2,88	128962	-8,00	134402	4,22	138334	2,93	185329	33,97
Borrowed capital	617145	12,26	659611	6,88	913447	38,48	787402	-13,80	650072	-17,44
<b>PrJSC “Bolgrad Winery”</b>										
Total capital	63815	-34,30	62129	-2,64	100107	61,13	89654	-10,44	76963	-14,16
Equity capital	-41206	42,04	39391	-195,6	80353	103,99	74899	-6,79	62910	-16,01
Borrowed capital	105021	-76,34	22738	-78,35	19754	-13,12	14755	-25,31	14053	-4,76

Source [3]

At PrJSC “Bolgrad Winery” the capital growth rate tended to change from 2015 to 2019. In 2015-2016 it declined. In 2017 the capital increased by 61.13%. During the following years it decreased again. In total, the capital of the company grew by 20.60% and was 76963 thous.UAH during the period from 2015 to 2019.

The structure of capital formation sources of wine-making enterprises in 2015-2019 is presented in Table 2.

The highest share of the borrowed capital was observed at PrJSC “Ismail Winery” in comparison with other enterprises and was 95.58% on 01.01.2020 and at PrJSC “Harchovyk” where it was 80.51%. PrJSC “Odessavinprom”, which has had a negative value of the equity for a long time, operates at the expense of significant amounts of the borrowed funds.

**Table 2. The share of the equity and loan capital in the total amount of the capital of wineries in Odesa region**

Name of enterprise	An average capital size for 2015-2019, thous. UAH	01.01. 2016		01.01. 2017		01.01. 2018		01.01. 2019		01.01. 2020	
		equity capital, %	borrowed capital, %	equity capital, %	borrowed capital, %	equity capital, %	borrowed capital, %	equity capital, %	borrowed capital, %	equity capital, %	borrowed capital, %
PrJSC «Ismail Winery»	186994	6,42	93,58	6,39	93,61	6,30	93,70	5,65	94,35	4,42	95,58
PrJSC «Harchovkyk»	259623,4	9,44	90,56	11,46	88,54	17,12	82,88	11,15	88,85	19,49	80,51
PrJSC «Odessavin prom»	313693	-51,07	151,07	-21,60	121,60	-16,90	116,90	-7,15	107,15	-11,96	111,96
PrJSC «Odessa Cognac Factory»	870977	18,51	81,49	16,35	83,65	12,83	87,17	14,94	85,06	22,18	77,82
PrJSC «Bolgrad Winery»	78533,6	-64,57	164,57	63,40	36,60	80,27	19,73	83,54	16,46	81,74	18,26
On average	X	3,35	96,65	9,14	90,86	1,12	88,88	11,88	88,12	14,86	85,14

Source [3]

In 2015-2019 on average at the wineries in Odesa region there was an increase in the share of the equity capital in the total amount of capital (from 3.35% on 01.01.2016 to 14.86% on 01.01.2020) which occurred mainly due to the growth of the equity capital share at such wine-making enterprises as PrJSC “Bolgrad Winery” and PrJSC “Odessa Cognac Factory”.

Due to the conducted researches, it is possible to conclude that: the smaller the winery is, the bigger the share of the equity it has in the total capital and, conversely, when the size of an enterprise increases, the share of the borrowed capital rises. So, the largest share of the equity capital belonged to PrJSC “Bolgrad Winery”(with an average capital volume 78533.6 thous.UAH in 2015-2019) and was 81.74% on 01.01.2020 and PrJSC “Odessa Cognac Factory” (with an average capital volume 870977 thous.UAH in 2015-2019 and had a share of 22.18%).

The obtained results allow us to establish the following dependence: the smaller the enterprise is, the larger share of the equity it has in the total capital.

Consequently, the processes, which are connected with improving the management system of the enterprise capital, its formation and use in particular, are of special importance since the creation and development of the necessary financial resource base is a substantial condition for sustainable economic growth for an enterprise and can become the financial basis for its further development.

## Conclusion

The study which is conducted in the article allows us to make the following conclusions of theoretical and practical nature. One should note that the capital of an enterprise is the money held by the company and intended to cover the requirements to ensure its functioning; the capital depending on the sources of attraction is divided into the equity capital and loan one which have their own peculiarities, advantages and disadvantages which influence the process of the enterprise functioning in some way.

The analysis which was done while research allowed us to determine the current problematic aspects of capital formation by the companies of the wine-making industry. In recent years the wineries with large total capital have a significant volume of the borrowed capital. Such a structure of the capital reduces financial sustainability of these enterprises that is why further investigations should focus on the development of the measures to improve the efficiency of wineries which is based on the creation of the optimal capital structure.

Practice shows that there is no single rule to form an effective ratio of the equity and loan funds not only for the companies of one industry but even for one enterprise at various stages of its lifecycle and on different market conditions. Simultaneously, there is a number of objective and subjective factors, the consideration of which allows us to purposefully create the capital structure, ensuring the conditions for its most effective use at each enterprise. First of all, the modern approaches to the capital structure analysis should include the two major aspects: the analysis of the capital formation process and the analysis of the process of the capital functioning. Thereby, while conducting the capital structure analysis it is necessary to consider both the processes of its formation and development and the processes of its functioning.

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