

Macroeconomic and economic regulation –
Makroekonomické a hospodářské regulace

**INFLUENCE OF GOVERNMENT REGULATION OF
INSTITUTIONAL CHANGES ON THE COMPANY'S
ECONOMIC SECURITY SYSTEM**

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The research paper deals with the problem of the interconnection of state regulation of institutional changes and the national system of economic security of entrepreneurship on the example of Ukraine, which has certain peculiarities and tendencies in the formation of the institutional environment. It has been determined that the above-mentioned transformations can contribute to the improvement of the level of economic security of the country's entrepreneurship, first of all, through strengthening of the protection of property rights, the promotion of objective judicial proceedings, the reduction of corruption, the optimization of bureaucratic procedures, counteracting raiding, thus improving the conditions for doing business in the country and quality of legislation and integrity in enforcing laws at all levels. The model of behaviour of the economic security system (formation of predictable reactions) is proposed, which shows the correlation of state regulation of institutional changes and the national system of economic security of entrepreneurship.

Key words: state regulation, institutions, institutional changes, institutional environment, economic security, national system, factors, legislation, Ukraine.

Formulation of the problem. Ukraine is experiencing a difficult period of development, becoming a sovereign, economically and politically independent country, which is a fully legitimate part of the world community. A fundamental component of the transformational processes that take place in the domestic economy are institutional changes. It is precisely because of the lack of substantiation and sluggishness of such changes in the Ukrainian economy the problems are fixed, including, in particular, the economic security of entrepreneurship: the high level of risks caused by the instability of the conditions of activity in the domestic economic system.

In this context, it is the state regulation of institutional changes that comprises the basic factor of economic development and security of entrepreneurship in the country, in particular, due to the ability to create and develop relevant institutions that support the functioning of the national system of economic security of Ukrainian entrepreneurship.

At the same time, in the context of the intensification of European integration processes in Ukraine (due to the signing of the Association Agreement between Ukraine and the EU on June 27, 2014), the formation and development of institutions of the country which would be harmonized to some extent with the

institutions of the European Union, is important, which creates new conditions for the growth of political, social and economic security in Ukraine.

These conditions are even more important for our country, allowing not only to take a more active part in the EU economic activity (to intensify foreign economic and investment activity in the country), but also to form and develop own institutions according to the model of the EU, bringing them closer to standards, models and examples of the EU institutional environment, increasing Ukraine's chances of joining the political and economic system of the European Union as a fully legitimate member of this community in the future.

The indicated problems determined the content of the study and determined the purpose and structure of the material presented in this article.

Analysis of recent research and publications. Study of scientific developments in the field of the influence of government regulation of institutional changes on the system of the economic security of entrepreneurship showed the availability of a number of research areas: the study of economic security and in its context the economic security of entrepreneurship and the influence of government regulation on it (B.M. Andrushkiv, E.M. Bilousov, T.H. Vasylytsiv, L.Ya.Maliuta and others); scientific research concerning the government regulation of institutional changes, including within the framework of ensuring the economic security of entrepreneurship (O.M. Zaskalina, V.O. Rybalkin, V.O. Tsybulskyi and others).

The aim of the article is to provide scientific substantiation of the directions of effective implementation of the interconnection of state regulation of institutional changes of the system of economic security of entrepreneurship on the example of Ukraine.

Material presentation and results.

Globalization erases the boundaries of the markets, the association with the EU is an important institutional step, by which Ukraine confirms the agreement with the above-mentioned position and is prepared to act in accordance with the rules and conditions of this very world market, subjecting to a large extent her own internal conditions and rules, that is, transforming institutions [7]. The ultimate goal of this market activity is to take into account the interests of each particular consumer, as the main axiom of the modern economy.

Globalization, as the leading trend in the development of the world economy, can provoke problems at the international, regional and national levels [11], which can be characterized as threats to the country's economic security, which is largely linked to the concept of competitiveness of the economy. Increasing competitiveness should become the key prerequisite for the normal functioning and the basis of the economic security of Ukrainian entrepreneurship in the modern world. At the same time, some aspects of adaptation of the institutions of the country to the new conditions of functioning require the formation of certain mechanisms that at the state level are designed to mitigate the negative effects of the institutions of globalization on the economic aspects of the development of Ukrainian entrepreneurship.

The competitive position of Ukraine consists of her [1; 13]:

- market position, i.e. the country's share in international trade (goods, services, technology, capital, foreign direct investment);
- network of international relations and their quality;
- internal factors such as the state of economic equilibrium, inflation, unemployment rate, trends in the change in the budget balance, the cost of internal resources, the situation on the current account, the level of international debt and foreign exchange reserves, trends in exchange rates, etc.

It is obvious that in the conditions of globalization to achieve significant success in the realization of their competitive advantages and in solving on this basis the tasks of economic and social development of society can only countries with effective economies and effective institutions that carry out their functions within the framework of adequate state economic policy.

The formation of a reasonable and well-considered strategy and tactics of ensuring the targeted influence of the state on the process of forming a modern model of economic development in order to ensure and increase its competitiveness and promote the economic security of the country's entrepreneurship requires the formation of appropriate approaches, models, mechanisms of effective interaction of the state, economy and society in the implementation of certain decisions having national significance in modern conditions.

We suggest to consider the above-mentioned problem in terms of the evolution of approaches to understanding economic security in a globalized world.

The domestic economy is an integral part of the global economic system, as currently no country in the world can function normally outside of the global market (North Korea, Cuba rather confirm this fact).

Domestic entrepreneurs can effectively operate on the domestic and world market only by supplying competitive products; products whose competitiveness are below those of foreign producers may be of interest only to the domestic consumer, but subject to the introduction of certain barriers (duties, quotas, etc.), which can be considered as tactical means of maintaining the economic security of limited entrepreneurship.

Before the conclusion of the Association Agreement with the EU, the barriers against Russia were acting doublefold: the EU countries did not allow to actively market their competitive products of Ukrainian producers, at the same time, quality goods of foreign production were not supplied to Ukraine, with reference only to the need to protect own (often uncompetitive in foreign markets) producer, and thus to ensure the economic security of entrepreneurship.

The activity of domestic business in the conditions of association with the EU destroys the existing barriers, providing the opportunity to:

- consumers – to receive quality products at adequate prices;
- to competitive Ukrainian producers – to develop their presence on the world market, obtaining additional profit (including through cancellation of previously imposed customs duties);

- increase deductions to the Ukrainian budget due to the development of trade and investment activity (which in fact increases the purchasing power of the citizens – consumers of products);
- to stimulate the entrepreneurs whose products are uncompetitive, to intensify investment and innovation activities in relation to product improvement, production reorientation, material and technical base development, technologies, energy efficiency improvement, etc., otherwise it causes the withdrawal of such entrepreneurs from the market.

The state regulation of institutional changes in Ukraine is related to the constant adaptation of the institutional environment [17]: the reform of the Ukrainian institutions in accordance with the Association Agreement with the EU [7], the creation of new structures, the reformation and the elimination of ineffective institutions. The indicated adaptation aims at the formation of certain formal rules of conduct, interactions that will enable to build safe and effective (in political, economic, cultural, social, environmental aspects) relations among the participants of socio-economic processes both inside and outside the country.

Such rules should ensure the stability and maximum efficiency of functioning in the market conditions of domestic business entities and the high potential of their development through the prevention of:

- the negative consequences of conscious or unconscious actions of individual officials, organizations, enterprises, institutions and establishments (state authorities, international organizations, competitor companies, etc.);
- the negative consequences of coincidence of objective circumstances (market conditions, technological progress, natural disasters, etc.).

There is a need to determine the factors that influence the effectiveness of the national system of economic security of the country's entrepreneurship in the process of the state-initiated institutional reforms in the country.

The state regulation of institutional changes in Ukraine contains two basic elements that determine its nature [17]:

- static – authorities in the system;
- dynamic, – relations between these authorities and the rules governing these relations.

The institutional system of Ukraine is founded on the classical tripartite separation of powers into legislative, executive and judicial. The state implements institutional changes through the influence on the activities of institutions and bodies that form the institutional base of the country: the Verkhovna Rada, the Presidency, the Institute of Proceedings, the Armed Forces, educational, scientific institutions, police, etc.

The main principles that significantly affect the functioning of institutions are the following [17]:

- the principle of institutional balance, that is, none of the institutions can have exclusive executive or legislative competence;

- the principle of loyalty and cooperation in the interrelations between institutions, which requires the cooperation of institutions, especially with regard to the creation and implementation of legislation;
- the principle of institutional autonomy, which primarily means the right to independently exercise the functions by specific institutions.

The questions of the effective influence of the state on the formation and development of the national system of economic security of enterprises are largely due to the implementation of the principle of loyalty and cooperation, according to which the hierarchy of subordination of state interests to the interests of society is built, one of which is the development of business and entrepreneurship as a factor of economic development.

The activities of the Ukrainian institutions in the field of ensuring the economic security of the country's entrepreneurship are based on principles of integrity and include common instruments (tariff and non-tariff ones) applicable to changes in customs rates, conclusion of trade agreements, export policies, as well as trade defense resources that are used in case of excessive imports, dumping or subsidies. Under these conditions, throughout the entire period of its functioning, the country's institutional adaptation to the requirements of ensuring the economic security of entrepreneurship in the globalized market environment, which was created, developed and continues to develop, is taking place.

Thus, noteworthy is the considerable growth of the use of instruments of protection of the EU internal market from third countries, which is an example of application of measures aimed at strengthening the economic security of entrepreneurship of EU countries. Institutions in the EU often use these instruments in relation to developing countries (especially India, Brazil, South African Republic). It should be emphasized that in their significant part, the "third countries" use the appropriate procedures for the protection of the domestic market. The danger of abuse of protectionism opportunities also stems from the fact that protective measures against excessive imports (as opposed to antidumping) apply to imports of certain products into the EU, regardless of their country of origin, which also affects the exporters who did not sell products at dumped prices.

The basic factors that influence the effectiveness of the national system of economic security of the country's entrepreneurship in the process of institutional reforms in the country, initiated within the framework of a set of measures of state regulation are as follows (Fig. 1, developed by the author of the article).

The abovementioned factors influence the socio-economic, technological and informational, as well as civilizational transformations that take place in the conditions of the transformation of the institutional environment of the country and directly affect the economic security of Ukrainian entrepreneurship.

It is important not only to identify in a timely manner the dangers that threaten entrepreneurial activity and to develop the security measures, but also to adequately assess the threats to the economic security of entrepreneurship in Ukraine, which can be manifested in the following dimensions:

1. Economic, threatening the stability of the business entity and the deterioration of the main financial and economic indicators of its activities.
2. Organizational, threatening both the very fact of the functioning of the subject of entrepreneurship, and its organizational integrity, the activities of the main units, the implementation of basic functions.
3. Legal, threatening the company's compliance with current legislation, is expressed in the presence of claims from law enforcement bodies (or counterparties) to the subject of entrepreneurship.
4. Informational, threatening the security of confidential information from leakage or disclosure in various forms.

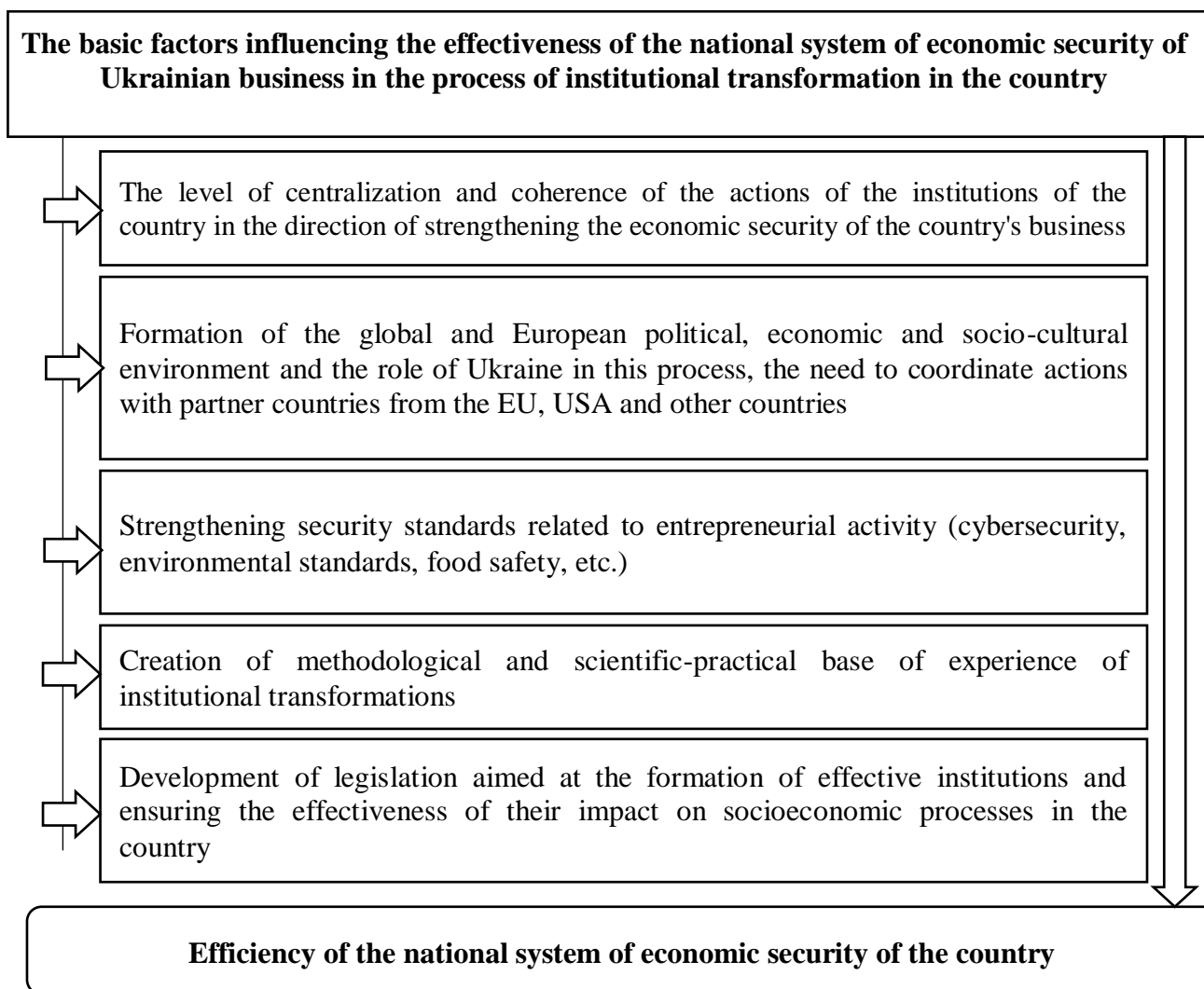


Fig. 1. The basic factors influencing the effectiveness of the national system of economic security of the country's entrepreneurship in the process of state regulation of institutional changes

Threats of entrepreneurship are a set of conditions and factors that create a danger to a business entity or its activities; events and processes that may cause damage to a business entity, also acting in the form of intentions, plans or preparation of actions.

Analyzing from the point of view of institutionalism the problem of forming certain reactions of the economic security system of Ukraine's entrepreneurship to the change of institutional conditions in the country within the framework of a complex of measures of state regulation, which should be considered to a large extent not as a threat to security, but as a way to minimize these threats due to effective complex actions of the state, the author of the article considers it necessary to design a model of the behavior of the system of economic security (the formation of predictable reactions), which would show the relationship of state regulation institutional changes and the national system of economic security of entrepreneurship (Fig. 2, developed by the author of the article).

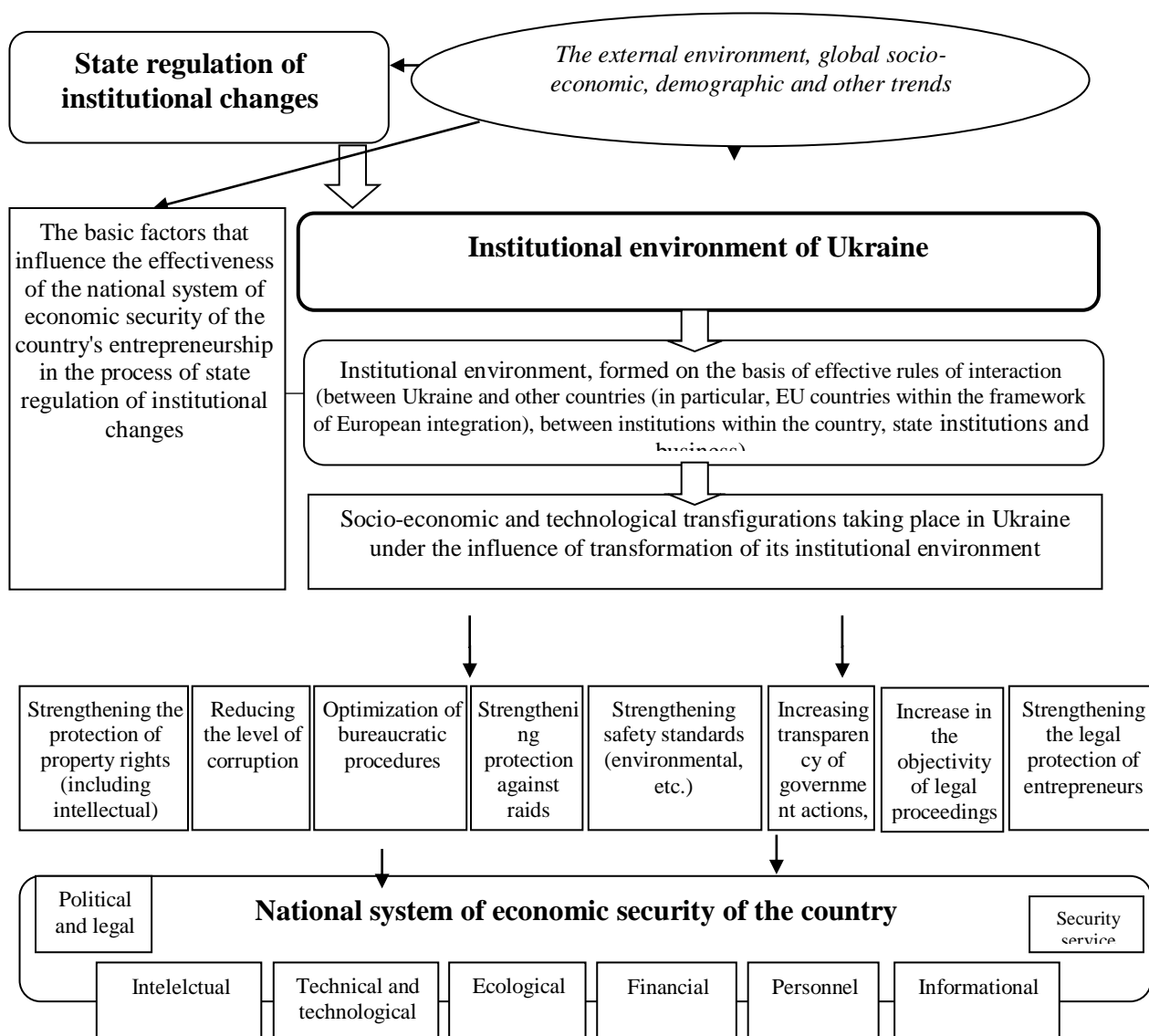


Fig. 2. The model of the relationship between state regulation of institutional changes and the national system of economic security of entrepreneurship

In this model, based on the aim of the article, an attempt has been made to form a theoretical and methodological basis, which would allow to argue the expediency, consistency, causal relationships and the most rational directions of the

influence of state regulation of institutional changes on the effectiveness of the national system of economic security of the country's entrepreneurship.

The influence of state regulation of institutional changes on the development of the national system of economic security of entrepreneurship presented in the model is expressed through the creation of favorable institutional conditions for the development of the country's economy and strengthening the security of its economic actors, which, as a result, will reorient the economy towards activities in the interests of a substantially larger part of the population, and thus will create a real basis for increasing the level of incomes of the population of Ukraine, which will have (unlike a simple redistribution of resources without stimulating the economic activity) – a steady trajectory of growth.

Conclusions. The article defines the factors determining the influence of state regulation of institutional changes on the development of the national system of economic security of entrepreneurship in Ukraine, as well as outlines the key directions of this influence, which are presented in the model of the interconnection of state regulation of institutional changes and the national system of economic security of entrepreneurship: property, promotion of objective judiciary, reduction of corruption, optimization of bureaucratic procedures, fight against raider attacks.

Thus, there is a possibility to improve the business conditions in the country and the quality of legislation and the integrity of the implementation of laws at all levels, which is the basis for the development of key elements of the system of economic security of the country's entrepreneurship.

The developed model defines the order and causal relationships in the interaction of the influence factors on the effectiveness of the national system of economic security of the country's entrepreneurship in the process of state regulation of institutional changes and elements of this system.

The problem is that institutional analysis in its base is grounded on the descriptive nature of the phenomena. Regardless of the nature of the models used and the generated problems, one of the main problems remains a practical way of measuring (estimating) key variables, such as economic security, and including these variables in the economic and mathematical models. The present work is the initial part of this process, which at the cognitive level allows to distinguish the main causative relationships in phenomena and characteristics.

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