“Special features of formation of the source base for economic socialization”

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SPECIAL FEATURES OF FORMATION OF THE SOURCE BASE FOR ECONOMIC SOCIALIZATION

Abstract
Trends in the global social development increasingly clearly demonstrate their relation to the processes of socialization of the global economy. Countries around the world are creating a global socio-economic space in the framework of integration and globalization. Global development of social economies in the world serves as the basis for further cooperation of the countries in addressing global problems and ensuring decent living standards of the population. It also applies to the countries with transition economies. The main problem of development of the process of economy socialization is its financial support, which makes the search for potential sources of financing more relative.

The article’s aim is to assess the source base of socialization of the economy of Ukraine as a country with transition economy with identification of strengths and weaknesses of financial security of social processes in the country.

Method of investigation was the correlation-regression analysis of the source base of socialization of the Ukrainian economy with construction of a multifactor regression equation. The main result of the article is correlation-regression analysis that has found that the amount of income of the population is significantly affected by two indicators: financing of scientific and technical works and the amount of loans provided by the Ukrainian banks to the residents. In the article, it is proposed to stimulate innovative activity through increasing the funding of scientific and technical works from different sources that can be practical recommendation to the government politics.

Keywords: socialization, financing, social economy, incomes, investments, innovation, Ukraine

JEL Classification: A13, C50, G00

INTRODUCTION
The studies carried out by different scientists show that developed countries have achieved significant indicators in the development of social economy – EU countries (Liger et al., 2016; Monzon & Chaves, 2008), Canada (Downing, 2012) and Japan (Dluhopolskyi, 2014), and others. This fact is confirmed by the high global social indexes and high living standards. Thus, the top ten of human development index include Norway (0.949), Australia (0.939), Switzerland (0.939), Germany (0.926), Denmark (0.925), Singapore (0.925), the Netherlands (0.924), Ireland (0.923), Iceland (0.921), Canada (0.920) and the United States (0.920) (UNDP, 2016, p. 198), highly developed countries of the world with well-developed social sphere. A similar situation is observed according to the index of social progress, according to which the top ten include highly developed countries: Finland (90.09), Canada (89.49), Denmark (89.39), Australia (89.13), Switzerland (88.87), Sweden (88.80), Norway (88.70), the Netherlands (88.65), Great Britain (88.58), and Iceland (88.45) (Porter, Stern, & Green, 2016).
As far as the countries with transition economy are concerned, they are distinguished by their own special model of social economy, which is characterized by a specific set of problematic issues that may be solved with regard to the experience of developed countries in the world. Under such conditions, the processes of socialization in the countries with transition economies are manifested in strengthening of the role, played by the social sector, attempts to find an efficient mechanism for solving social problems, the search for funding sources for social transformations. The latter, in our view, is extremely important to enable the development of social economy and determines the relevance of the conducted research.

1. LITERATURE REVIEW

Different aspects of socialization processes were highlighted by many scientists, in particular, Kourilsky (1981), Denhardt and Jeffress (1971), Lee (1988), Saks (1988), Ashforth (1988) considered economic socialization at a personality level in view of the human potential management. Other authors, such as Witt (2002), Scherpereel (2011), Menshikov (2016) explored the processes of socialization at the general state level. The essence of economic socialization has been sufficiently studied by Ukrainian scientists, in particular Makogon, Orekhova, Khadzhynov, and Kosshelenko (2009), Herman (2015), Gryshkin (2005), Deyeva (2006), Heyets (2011), and others. Ukrainian scientists examined different manifestations of socialization, its special features, provision in the national economy, the way it differs from foreign scientists who consider the processes of socialization mainly in the internally collective or internally public perspective. The national scientists imply by socialization of economy the process and the mechanism of providing a decent standard of living of the population, using the economic potential of the country, based on the activity of social institutions.

Recently, in addition to being considered at the personality level, micro- and macrolevels, economy socialization is also explored at the global level (Menshikov et al., 2017) as the process, characteristic for the whole world community. At this level, an active position is occupied by international organizations and international cooperation in addressing global social problems. Global socialization of economy is undoubtedly one of the new key global trends, as it was indicated by Ukrainian scientists Ryabets (2014) and Tymkiv (2014). Thus, in particular, Ryabets (2014) links the processes of economy socialization on the global scale to the growing role of people, their spiritual and moral values, qualities, skills, knowledge, and experience in production, which allows them to enhance their activities and take a decent place in the economic system. Under this global approach, implementation of interests of an individual in the global environment is involved.

Continuing with the above stated opinion, Tymkiv (2014) comes to the conclusion that global socialization primarily contributes to acceleration of the process of reproduction of the material and intangible goods, and in turn, limits the access to traditional socially accessible benefits due to their commercialization (education, health care) and an increase in the number of users of services of social funds. The author believes that global socialization allows bridging the gap between economically developed countries of the world and developing countries. Moreover, global socialization provides stability of the world economy and its sustainable development.

Similarly, economy socialization at the global level is examined by Ukrainian economist Dyadko (2008). Thus, the scientist considers economy socialization as one of the main components of the global socio-economic transformation, which is manifested in the social reorientation of production, humanization of labor, improvement of people’s lives, a decrease in social differentiation and a growth of the role of the social sphere and social processes. In this case, a human personality with the various needs is becoming the centre of socio-economic development.

The abovementioned approaches consider comprehension of the socialization process at
the global level. However, despite significant achievements of the authors regarding research into essence, nature, various factors of economy socialization, its source base have not been highlighted in detail in scientific literature. Banking resources for solving social problems were considered by Giagnocavo, Gerez, and Sforzi (2012). The main sources of funding of social security in the European countries were studied by Wagner (2012), funding of social security in the Asian countries was considered by Asher and Bali (2014), Dlugopolsky (2014), in the countries with transition economy – by such scholars as Syomkina and Tarasevych (2011), Makogon, Orekhova, Khadzhynov, and Koshelenko (2009), Tymkiv (2014), and Dyba (2009).

2. AIMS

The article’s main purpose is to assess the source base of socialization of the economy of Ukraine as a country with transition economy with identification of strengths and weaknesses of financial security of social processes in the country.

3. METHODS

Effectiveness of economy socialization manifests itself in providing well-being of the population. According to research conducted by different scientists a major indicator of the effectiveness of economy socialization is an increase in incomes of the population (Popadynets, 2015, p. 229; Herman, 2015, p. 40). The source base for economy socialization for developed countries of the world, according to the research of foreign scientists, is the bank sphere, lending and loans (Call, 2011), as well as budget funding and activities of enterprises (Wagner, 2012). As far as the countries with transition economy are concerned, the Ukrainian authors consider a wider aspect of the potential and existing sources of economy socialization, in particular, public funding (Somkina & Tarasevych, 2011), is treated as an existing source, while potential sources include the innovative sphere (Makogon et al., 2009), and investment activities (Tymkiv, 2014). Because, as it has already been stated, a detailed research into funding sources of economy socialization for transition countries has not been carried out, we propose to perform a correlation-regression analysis of the source base of socialization of the Ukrainian economy with construction of a multifactor regression equation.

In the econometric model, we accepted the income of the population of Ukraine as $Y$, and main indicators of financial security of the economy socialization, taking into account the experience of the developed countries of the world, as $X_{1:7}$. With regard to research of the national and foreign scientists, we selected the following indicators:

- $X_1$ is the amount of GDP of Ukraine, UAH mln. (Makogon et al., 2009);
- $X_2$ is the amount of budget expenditures for social purposes, UAH mln. (Petrushenko et al., 2017);
- $X_3$ is the funding of scientific and technical works, UAH mln. (Makogon et al., 2009);
- $X_4$ is the profit of enterprises, UAH mln. (Wagner, 2012);
- $X_5$ is the amount of investment into fixed capital, UAH mln. (Tymkiv, 2014);
- $X_6$ is the amount of loans provided by the banks to the residents, UAH mln. (Giagnocavo, Gerez, & Sforzi, 2012);
- $X_7$ is the amount of direct foreign investments, UAH mln. (Tymkiv, 2014).

Thus, the sources of economy socialization, cited in the Ukrainian scientific literature, were supplemented with the indicators, which are considered by foreign authors: the profits of enterprises ($X_4$) and the amount of loans ($X_6$). In their totality, these indicators reflect existing and potential sources of socialization of the economy of Ukraine.

Statistical data for construction of an econometric model are listed in Table 1.
4. RESULTS

The proposed indicators of the source base of socialization of the economy of Ukraine, in our opinion, are related to each other and depend on each other. In order to avoid the problem of multi-collinearity of the would-be regression model, it is necessary to perform a correlation analysis of indicators of financing of social economy.

Based on the results of calculation of pair correlations of indicators $X_{1-7}$, the matrix, which is presented in Table 2, was constructed.

According to the data, presented in Table 2, it is possible to argue that indicators $X_{1-7}$ have different density. Thus, there is a high density between indicators $X_1$ and $X_2$, which indicates interconnection and interdependence between the GDP and the budgetary expenditures. Among other indicators, there is also high or medium density. An exception is only indicator $X_4$, which, with all the other indicators, has a weak correlation that has a negative value. It shows a weak inverse relation between the profits of enterprises and other indicators of financing of social economy. Losses of the national enterprises within 2014–2017 (see Table 1)

### Table 1. Dynamics of source base of providing socialization of economy of Ukraine within 2000–2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Incomes of population, UAH mln. $Y$</th>
<th>GDP, UAH mln. $X_1$</th>
<th>Budget expenditures for social purposes, UAH mln. $X_2$</th>
<th>Funding of scientific and technical works, UAH mln. $X_3$</th>
<th>Profit of enterprises, UAH mln. $X_4$</th>
<th>Investment into fixed capital, UAH mln. $X_5$</th>
<th>Loans provided by the banks to the residents, UAH mln. $X_6$</th>
<th>Direct foreign investments, UAH mln. $X_7$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>128736</td>
<td>170070</td>
<td>48200</td>
<td>20463</td>
<td>13933</td>
<td>23600</td>
<td>1968</td>
<td>21040</td>
</tr>
<tr>
<td>2001</td>
<td>157996</td>
<td>201927</td>
<td>55500</td>
<td>24352</td>
<td>18700</td>
<td>32600</td>
<td>28572</td>
<td>24460</td>
</tr>
<tr>
<td>2002</td>
<td>185073</td>
<td>225810</td>
<td>60318,9</td>
<td>2611,7</td>
<td>14641,2</td>
<td>37200</td>
<td>42228</td>
<td>29160</td>
</tr>
<tr>
<td>2003</td>
<td>215672</td>
<td>267344</td>
<td>75792,5</td>
<td>3597,4</td>
<td>19643,3</td>
<td>51000</td>
<td>67892</td>
<td>36210</td>
</tr>
<tr>
<td>2004</td>
<td>274241</td>
<td>345113</td>
<td>102538,4</td>
<td>4251,7</td>
<td>44578,4</td>
<td>75700</td>
<td>88615</td>
<td>48130</td>
</tr>
<tr>
<td>2005</td>
<td>381404</td>
<td>441452</td>
<td>141698,8</td>
<td>5160,4</td>
<td>64370,8</td>
<td>93100</td>
<td>143423</td>
<td>86480</td>
</tr>
<tr>
<td>2006</td>
<td>472061</td>
<td>544153</td>
<td>175512,2</td>
<td>5164,4</td>
<td>76253,4</td>
<td>125300</td>
<td>245230</td>
<td>109120</td>
</tr>
<tr>
<td>2007</td>
<td>623289</td>
<td>720731</td>
<td>227638,3</td>
<td>6149,2</td>
<td>135897,9</td>
<td>188500</td>
<td>426867</td>
<td>149190</td>
</tr>
<tr>
<td>2008</td>
<td>856633</td>
<td>948056</td>
<td>312017,5</td>
<td>8024,8</td>
<td>8954,2</td>
<td>233100</td>
<td>734022</td>
<td>187700</td>
</tr>
<tr>
<td>2009</td>
<td>897669</td>
<td>914720</td>
<td>310225,2</td>
<td>7822,2</td>
<td>42414,7</td>
<td>151800</td>
<td>723295</td>
<td>311800</td>
</tr>
<tr>
<td>2010</td>
<td>1101175</td>
<td>1094607</td>
<td>377842,8</td>
<td>8996</td>
<td>58334</td>
<td>150667</td>
<td>732823</td>
<td>357664</td>
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<tr>
<td>2011</td>
<td>1266753</td>
<td>1302079</td>
<td>416853,6</td>
<td>9591,3</td>
<td>122210</td>
<td>250501</td>
<td>801809</td>
<td>389962</td>
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<tr>
<td>2012</td>
<td>1457864</td>
<td>1408889</td>
<td>492454,7</td>
<td>10558,5</td>
<td>101884,7</td>
<td>285146</td>
<td>815142</td>
<td>435209</td>
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<tr>
<td>2013</td>
<td>1548733</td>
<td>1526276</td>
<td>505843,8</td>
<td>11161,1</td>
<td>29283,2</td>
<td>257144</td>
<td>910782</td>
<td>442374</td>
</tr>
<tr>
<td>2014</td>
<td>1516768</td>
<td>1566778</td>
<td>521325,7</td>
<td>10230,3</td>
<td>523600</td>
<td>212035</td>
<td>1020667</td>
<td>677830</td>
</tr>
<tr>
<td>2015</td>
<td>1735858</td>
<td>1988500</td>
<td>679871,4</td>
<td>11001,9</td>
<td>340100</td>
<td>273116</td>
<td>981627</td>
<td>789614</td>
</tr>
<tr>
<td>2016</td>
<td>2002400</td>
<td>2383200</td>
<td>835590</td>
<td>11530,7</td>
<td>22900</td>
<td>359216</td>
<td>985440</td>
<td>903732</td>
</tr>
<tr>
<td>2017</td>
<td>2579100</td>
<td>2982900</td>
<td>624949</td>
<td>13379,3</td>
<td>287900</td>
<td>448500</td>
<td>1016657</td>
<td>1135176</td>
</tr>
</tbody>
</table>

### Table 2. Matrix of results of correlation analysis of indicators $X_{1-7}$

<table>
<thead>
<tr>
<th>Indicators</th>
<th>$X_1$</th>
<th>$X_2$</th>
<th>$X_3$</th>
<th>$X_4$</th>
<th>$X_5$</th>
<th>$X_6$</th>
<th>$X_7$</th>
</tr>
</thead>
<tbody>
<tr>
<td>$X_1$</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>$X_2$</td>
<td>0.999</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>$X_3$</td>
<td>0.948</td>
<td>0.943</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>$X_4$</td>
<td>–0.425</td>
<td>–0.418</td>
<td>–0.340</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>$X_5$</td>
<td>0.940</td>
<td>0.937</td>
<td>0.943</td>
<td>–0.207</td>
<td>1</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>$X_6$</td>
<td>0.933</td>
<td>0.927</td>
<td>0.978</td>
<td>–0.433</td>
<td>0.916</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>$X_7$</td>
<td>0.978</td>
<td>0.979</td>
<td>0.893</td>
<td>–0.563</td>
<td>0.860</td>
<td>0.894</td>
<td>1</td>
</tr>
</tbody>
</table>
negatively affected the development and accumulation of the source base of economy socialization, which manifested itself in this negative correlation dependence between $X_1$ and other indicators. A negative value of the indicator of profitability of Ukrainian companies is a weakness of providing financial security of socialization of the economy of Ukraine.

Given the conducted correlation analysis for construction of a multifactor regression model, all seven proposed indicators will be used.

With the help of “Analysis Tool Pack”, the standard program “Regression” of Excel spreadsheets, we constructed a regression of dependence of the incomes of population $Y$ on the main indicators of financial security of economy socialization of the economy $X_{1-7}$, which in the general form can be represented by the following equation:

$$Y_i = a_0 + a_1X_1 + a_2X_2 + a_3X_3 + a_4X_4 + a_5X_5 + a_6X_6 + a_7X_7 + u,$$

(1)

where $a_i$, $i = 0, 1, 2, 3$ are the coefficient of linear regression, $u$ is the random component.

As a result of conducting of correlation-regression analysis, it was found that the amount of income of the population is significantly affected by two indicators: $X_3$ – financing of scientific and technical works, UAH mln. and $X_6$ – the amount of loans provided by the Ukrainian banks to the residents UAH, mln. Thus, indicator of lending, which is essential in research of foreign scientists, is important for socialization of the economy of Ukraine (Call, 2011). Calculations for the multifactor model are presented in Table 3.

The quality of the constructed model can be assessed using determination coefficient, the values of which can range from 0 to 1. According to the data from Table 3, determination coefficient is equal to 0.97956, it almost approaches 1. This means that the constructed regression explains about 97.96% of changes in the dependent variable (income of population) due to the variation of $X_3$ and $X_6$.

According to the calculation results, shown in Table 2, the model is statistically significant, since $P$-values for $F$-criterion are smaller than 0.05 and both regression coefficients are also statistically significant.

$P$-value determines probability of making an error when an invalid hypothesis is not rejected. In this model, $P$-value for $X_3$ is equal to 0.04; $P$-value for $X_6$ is equal to 0.001. In both cases, we have the value that is smaller than 0.05, which indicates the importance of statistic significance of regression coefficients.
As a result of the performed calculation, we have the following equation of dependence of incomes of the population of Ukraine on the indicators of financing of Ukrainian economy socialization of Ukraine:

\[ Y_i = 49.2X_3 + 1.05X_6. \]  

(2)

A change in the income of the population of Ukraine is significantly affected by the amount of financing of scientific and technical research and amount of loans, provided by the banks to the residents. Thus, it is possible to trace the relationship between the social and the innovative sectors, financing of scientific activities leads to increased incomes and, as a result, it is the ground for providing sociality. When it comes to lending activity, the results of the study indicate the importance of the credit source for provision of the development of social economy. And it is not by accident. Since the base for the economy socialization is the business sector that ensures the realization of the citizens’ potential in different areas, its development often requires credit funds. To revitalize the activities of the citizens with the view to creating their own businesses to satisfy their own needs, the bank-provided loans are extremely necessary.

Regardless of mathematical relationship between \( Y \) and \( X \), it is necessary to estimate the magnitudes of elasticity coefficients. Elasticity of \( X \) and \( Y \) is calculated as relative variable \( \frac{Y}{X} \) per unit of a relative change in \( X \). In this case, the value of elasticity at any point will depend not only on the value of regression coefficient, but also on values of \( X \) and \( Y \) at a given point.

Elasticity coefficient indicates by how many percent \( Y \) changes in response to a change in \( X \) per one percent on condition that the rest of the variables remain constant. Elasticity coefficient is calculated from the formula (Hrabovetskyi, 2000):

\[ E_{X,Y} = a_i \frac{\bar{X}_i}{\bar{Y}_i}, \]  

(3)

where \( a_i \) is the value of the corresponding regression coefficient, \( \bar{X}_i \) is the mean value of corresponding \( X \), \( \bar{Y}_i \) is the mean value of \( Y \).

After performing appropriate calculation by formula 3, we obtain \( E_{X,Y} = 0.40 \), \( E_{Y,X} = 0.62 \). While comparing the values of elasticity coefficients, we can say that the main factor of a change in the resulting indicator is indicator \( X_6 \). At an increase in the amount of loans, granted by banks to the residents by 1%, the amount of income of the population increases by 0.62%. As far as indicator \( X_3 \) is concerned, at an increase of funding of STR by 1%, incomes of the population increase by 0.4%.

To assess the adequacy of the resulting regression model, we will define the coefficient of approximation, which is calculated from the formula (Hrabovetskyi, 2000):

\[ \bar{A} = \frac{\sum_i |Y_i - \bar{Y}_i| \cdot \bar{Y}_i}{n} \cdot 100\%. \]  

(4)

According to the calculations, \( \bar{A} = 12.4\% \). The value of coefficient approximation is lower than 15%, which proves appropriate quality of specifications of the developed model. Therefore, the developed model can be used for further analysis,

\[ Y \rightarrow \text{(actual income)} \quad Y_i \rightarrow \text{(estimated income)} \]

**Figure 1. Dynamics of amount of actual and estimated income of population of Ukraine within 2000–2017, mln UAH**
planning and forecasting as adequate and statistically significant.

To obtain the calculation values of \( Y_i \), let us substitute absolute values of indicators from Table 1 in the resulting linear regression equation (2) and solve it. Thus, we obtain calculation values of the resulting feature – the income of the population of Ukraine within 2000–2017. Dynamics of actual and estimated amounts of the population are presented in Figure 1.

5. DISCUSSION

Based on the modeled econometric dependence, we proved the existence of a significant impact of funding of scientific and technical research and the amount of loans, granted by banks to the residents, on economy socialization. The importance of innovative development for ensuring the socialization of Ukrainian economy and the indicator of funding STR as a source of socialization was considered by national authors, such as Makogon, Orekhova, Khadzhynov, and Koshelenko (2009). Moreover, the scientists emphasize significant lagging of Ukraine behind the innovative development of European countries. Therefore, the source can be seen as the potential: funding of economy socialization will increase with the innovative growth. As for the second indicator, which significantly affects the provision of economy socialization – money lending by banks to residents, foreign scientist Call (2011) shows a significant impact of bank lending and loans on economy socialization. Such scientists as Giagnocavo, Gerez, and Sforzi (2013) explore the importance of the activity of corporative banks for provision of social development. In our opinion, lending as the source of implementation of socialization of economies of highly developed countries of the world under globalization conditions should become more active in the countries with transition economies, which was proved by research.

CONCLUSION

The approach, presented in this article, enables us not only quantitatively characterize the impact of some financial factors on the development of the social economy of Ukraine, but also to solve the problems of optimization of the source base for providing socialization in prospect. At the same time, the methodological significance of the conducted research lies in the fact that in such a statement, a possible variant of the relationship and the influence of social development and its generating factors of financing socialization were demonstrated. Other possible variants may be offered while modeling a different set of financial factors.

Needless to say, in this respect, a new methodological thesis, which is important primarily for determining of the prospects for building up a source base of economy socialization, is singled out. According to the results of the performed econometric modeling for the development of social economy of Ukraine and providing well-being of the population, it is necessary to revitalise financing of scientific and technical works and money lending to residents by banks. It is in these frameworks that we can trace strengthening of the source base of socialization of Ukrainian economy. In accordance with the conducted correlation analysis, weaknesses of financial provision of socialization are related to dynamics of profitability indicators of enterprises. A negative value of this factor has been registered for the last three years, which indicates unprofitableness of Ukrainian enterprises. It is this fact that inhibits the activation of social development of Ukraine.

As it was found by the research, under globalization conditions, the funding sources of economy socialization for highly developed countries and the countries with transition economy are also becoming general in nature. Lending as a source of economy socialization, which has been actively considered by foreign scientists, also acts as an important potential source of socialization of the economy of Ukraine. Based on the experience of highly developed countries in financing of socialization, it is possible to construct directions of strengthening of the financial support of economy socialization.
The main recommendations for the state policy in the sphere of economy socialization according to the obtained results are as follows:

- provision of beneficial conditions for lending by banks to enterprises, organizations, as well as for initiatives of citizens for development of their own businesses and creation of foundations for their own well-being, based on the existing international experience;
- stimulation of innovative activity through increasing funding of scientific and technical works from different sources;
- reorientation of unprofitable businesses to manufacturing of products that enjoy high demand.

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